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## U.K. Opinion Still Divided

### Europe's Era of '9' Off to a Quiet Start

BRUSSELS, Jan. 1 (AP)—Britain, Ireland and Denmark joined the Common Market today a historic event marked by no excitement at all.

Britain was entering "almost as a thief in the night," said the London Times.

Prime Minister Edward Heath attended the funeral of former Prime Minister Lester Pearson in Canada. He issued a pre-recorded statement saying:

"I think in their pragmatic and pragmatic way the British are now waiting for action and as we in the community take action then I think more and more will then respond to it."

A British public opinion poll found 39 percent of its sample

unhappy with membership, 38 percent content and 23 percent with no opinion.

Opposition leader Harold Wilson promised to let the voters decide, if and when his Labor party returns to power.

Flags of the nine member countries were raised outside the headquarters of the Common Market Executive Commission.

Protocol Matters

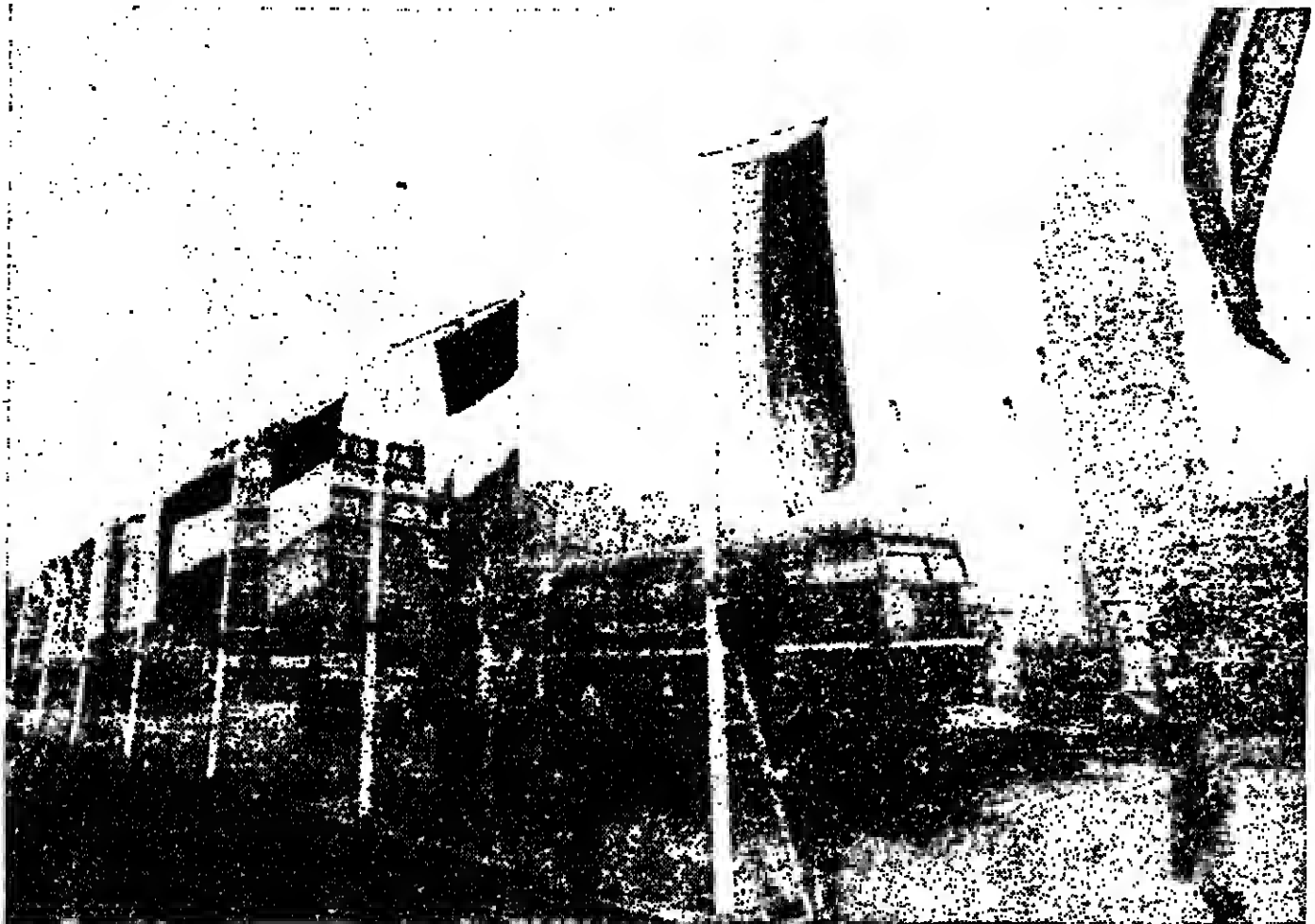
Ewen Ferguson, a senior official of the British mission, delivered a couple of letters today from Sir Alec Douglas-Home, the British foreign secretary. They were Britain's first communications as a member. They were addressed to the Executive Commission and dealt with routine matters of protocol.

Later Mr. Ferguson went across the Place Schuman to a pub called the Queen Victoria and read a message from Mr. Heath to a group of some 130 tourists from Doncaster, northern England.

"Many people in Doncaster," Mr. Heath said, "have been aware for some time of the great advantages of lacking the community market from the inside. But, at the same time, they have known that—just though the benefits can be none of them will be realized without a good deal of enterprise."

Some people from Doncaster were not enthusiastic about entering the EEC, said George Mitchell.

"A lot of us thought we should have had a Common



NEW ERA—Flags of the nine members of the enlarged Common Market flying in central London yesterday.

Market with the Commonwealth and that we're paying too much for Europe. We're checking prices. In Doncaster beef is 78 pence a pound. Here it's 20 shillings."

It was the difference between £1.83 and \$2.35.

In Dublin, Irish Prime Minister Jack Lynch said in a press statement message:

"It is my belief that many of the economic and social differences which exist between north and south Ireland will

rapidly disappear when we have fully adapted to community membership."

Nine trees were planted along the banks of the Royal Canal by Senator Eoin Ryan, chairman of the Executive Council of the European Movement.

The Irish government issued a special stamp to mark the country's entry into the EEC. The government also decreed

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## Thieu Resigned To a Truce Pact, Saigon Reports

By Peter Osnos

SAIGON, Jan. 1 (WP)—President Nguyen Van Thieu will not stand in the way of a cease-fire agreement that he believes will come out of next week's talks in Paris, sources close to the South Vietnamese president said today.

Mr. Thieu's most trusted aides already are talking of the cease-fire and the political-military struggle they face in the months ahead as a foregone conclusion and do not even mention the possibility that Saigon might reject the accord. "We know that for us it will be far from the ideal settlement," one prominent member of Mr. Thieu's personal staff said.

But he acknowledged that further resistance undoubtedly would mean an end to vital American assistance.

Mr. Thieu's aides spoke in private conversations and not at any formal background briefing session.

New Period Opens

The only public reflection of Mr. Thieu's changed stance came today in Tin Song, the newspaper that most closely reflects the president's views and is published by Hoang Duc Nha, the Thieu aide involved in the bargaining with American emissaries. "The fighting period has ended," the newspaper said, "and the negotiating period has begun."

The editorial, taking a position also voiced by Mr. Thieu's aides, suggested that if a cease-fire is further delayed, it will be because of Hanoi's objections, not Saigon's.

"One can predict that if the United States is again met by stubbornness from Hanoi," the newspaper said, "the intensity of the American reprisals will be beyond imagination."

The comment, observers here said, reflects an awareness on the part of Mr. Thieu and his advisers of how impatient Americans have grown with efforts to end the U.S. role in the war. "The way the United States felt about Mr. Thieu's reluctance to go along with the original agreement, one Thieu aide said with a smile, "those bombs of the past two weeks could have been falling on Saigon instead of Hanoi."

Enough Ambiguity

So far, there is enough ambiguity left in Mr. Thieu's official actions to leave him a fall-back position if he decides once again to stall for time. For example, Tin Song reported last night that Mr. Thieu is sending two of his senior diplomats on a 30-day mission to explain Saigon's stand at the peace talks to foreign leaders.

The emissaries—Bui Diem, until recently ambassador to Washington, and Tran Van Do, an experienced negotiator and former foreign minister—will explain, the newspaper said, Mr. Thieu's insistence that Hanoi "approve in reality" the existence of two governments in Vietnam—North and South.

That is a fundamental issue in the Vietnam conflict but Mr. Thieu's aides recognize that it can be handled adequately by leaving the question unresolved in the written agreement as one of the many matters that will

(Continued on Page 2, Col. 4)

Below 20th Parallel Too

New Year Bombing Pause Over All of North Vietnam

By Fox Butterfield

SAIGON, Jan. 1 (NYT)—American warplanes temporarily halted their bombing today against targets in North Vietnam below the 20th Parallel and in all South Vietnam to observe a New Year's Day cease-fire, United States officials indicated.

The 24-hour pause in the fighting, proclaimed by the Saigon government began at 6 p.m. Saigon time yesterday and ran until 6 p.m. today. A similar

truce declared by the Communist expired one hour later.

The New Year's Day cease-fire was separate from the United States' indefinite halt to the aerial campaign against the Hanoi-Haiphong region and other areas above the 20th Parallel in North Vietnam, which began Saturday.

The South Vietnamese command reported 24 Communist violations of the New Year's cease-fire, fewer than the 40 Communist-initiated incidents reported on the day before the truce began. A Saigon military spokesman said 10 South Vietnamese had been killed in the violations and 63 wounded, with 35 Communists killed.

Major Action

The only major fighting during the cease-fire occurred near the devastated city of Quang Tri, just south of the Demilitarized Zone (DMZ) where North Vietnamese gunners reportedly poured over 300 rounds of mortar and artillery fire into government peratroop positions and several sharp ground clashes also took place.

Although several American officials privately indicated to newsmen that U.S. planes had temporarily stopped their attacks over southern North Vietnam and South Vietnam for the New Year's

(Continued on Page 2, Col. 6)

## Special Section

### More Struggles With Nixon Loom

#### New Congress Faces Leftover Work

By Richard L. Lyons

WASHINGTON, Jan. 1 (WP).—The 93rd Congress, which convenes Wednesday, faces a heavy load of leftover work and a series of struggles with President Nixon over the powers of President and Congress.

This is the third Democratic Congress to serve with Mr. Nixon. He becomes the only President whose party, at the start of his second term, has never controlled either house.

Ideologically, the new Congress is about the same as the last. Democrats gained two Senate seats, Republicans gained 13 House seats, but several were won from conservative Southern Democrats who usually voted like Republicans. The slightly smaller group of House Democrats is slightly more liberal and probably more receptive to change, such as modifying the seniority rule and generally opening up the system.

The party makeup of the 93rd Congress is the same as the 91st, when Mr. Nixon took office four years ago. Democrats control the Senate, 57 to 43, and will control the House by 243 to 193 if three vacant seats remain Democratic.

Mr. Nixon's position is quite different than four years ago, when he won office narrowly but had the party power of a president certain to seek re-election. Now he has won by a landslide but cannot run again.

President vs. Congress

The President's victory by 61 percent of the vote probably will make Democrats less eager to wage frontal attacks on him. But the knowledge that he will not be re-elected, coupled with some Republican resentment that he did not do everything he could to help their campaigns, probably will cause more Republicans to break ranks on party issues.

Quite apart from, and potentially bigger than, the fights over specific legislation is the growing institutional struggle over the powers of the President and the Congress.

For 40 years, Congress has grumbled about the loss of its

## 67 Killed in 1972

### New Year Starts With Bombs, Bullets in Northern Ireland

By Peter Osnos

BELFAST, Jan. 1 (UPI)—The new year began in Northern Ireland the same way the old one ended—with gunfire and bomb blasts.

Police and British Army figures said 467 persons died violently during 1972, more than twice the number killed in the preceding year. The figures include Roman Catholics, Protestants and others.

Within an hour after the start of 1973, gunmen shot and seriously wounded a man in the New Lodge road area of Belfast.

The army said gunmen fired shots at army posts in the doyle district of Belfast in minutes. There were no casualties and soldiers did not return a fire, the spokesman said.

In Newblown, 55 miles north of Londonderry, near the sh. Republic border, a bomb blast badly damaged a garage but used no casualties.

In Carrickfergus, seven miles northeast of Belfast, four masked men forced their way into a house and took away four shotguns and a pistol.

Three fire bombs were thrown through the window of a house in a Roman Catholic estate in Ballymurphy, eight miles east of Belfast, slightly injuring a woman.

Revised Figures

In revised figures issued today, fast police said 323 civilians were killed in Northern Ireland in 1972, together with 103 troops of the British Army, 26 members of the Ulster Defence Regiment and 17 policemen or police reservists. Army spokesmen conceded the army and militia

brought the total of deaths in the violence since August, 1969, to 678 persons. Of these, were civilians, 146 British soldiers, 39 militiamen and 31 police.

thirteen persons died violently in 1970 and 178 in 1971, he said.

The Provisional wing of the Republican Army said in a New Year's message to British troops that it would increase the pace in Ulster this year.

or old Hash will be getting to them too. I'd say the same thing to that old son of a bitch if he were still around. Matter of fact, I paid him."

The strange tale of Hash and the forgotten divorces began in the 1930s. Under an Arizona law that still stands, a judge makes the oral divorce decree, but the attorney involved must file the written one with the court clerk before it becomes legal.

Hash's method—which he used primarily in the 1930s but continued into the early 1950s—was simple. No money, no divorce.

His niece, Virginia Hash, who also is a lawyer, recalls that her uncle always cautioned his clients:

"You're not divorced until this decree is filed and it's not going to be until I'm paid."

James Shrimsher apparently didn't listen closely. He used Hash three times in the early 1930s as his divorce attorney. Mr. Shrimsher can't be found these days, but Hash's niece holds all three of his divorces, unfilled.

Miss Hash, who became co-executor of her uncle's estate when he died six years ago, says she found unfilled decrees involving some 200 couples while going through his papers recently.

While only a handful of the couples involved have been located, the questions of bigamy, estates left by deceased mates and

## Catholic Couple Found Slain

### Just Inside Ireland's Border

By Peter Osnos

DUBLIN, Jan. 1 (UPI)—A young engaged couple was found shot to death today on a lonely road just inside the Irish Republic's border with Northern Ireland, a police spokesman said.

He identified the victims as Oliver Boyce, 25, a carpenter, and Breedge Porter, 24. The victims had been driven to a lane about 200 yards off the main highway and shot through the head, police said.

Local people heard about 15 shots and a woman screaming shortly before 2 a.m., the police spokesman said.

"The man was shot first—that was probably when the woman screamed—and the woman's body was sprawled on top of him. Both victims were Roman Catholics," he said.

Police said they were checking reports that the victims had been members of the Provisional wing of the Irish Republican Army who had been expelled a few days ago.

"So far, we have not come up with the motive for the double killing," the police spokesman said.

210,194,312 Americans

WASHINGTON, Jan. 1 (AP).—The United States began 1973 with a population of 210,194,312, the U.S. Census Bureau estimated.

The net gain in population during 1972 was 1.6 million, the bureau said. This was a slowdown from 1971's 2.2 million and 1970's 2.2 million. The largest annual increase ever recorded was 3.1 million in 1956.

What No One Has Paid For, No Man Has Put Asunder

By Peter Osnos

JOENIX, Ariz., Jan. 1 (AP).—The late V. L. Hash, a married lawyer known for picking up a lot of walk-in divorcees, failed to receive his fee, simply forgot to legalize the divorces.

He died tomorrow, faced with 200 days that probably aren't, the Arizona Supreme Court began trying to unravel what got Hash 40 years to achieve.

man E. Linder of Phoenix thought he was divorced. His first wife in 1947 and since remarried, still thinks Hash and not at all fondly.

I can say is those people there had better be careful

the legitimacy of new marriages must be answered.

To clear up the confusion, Miss Hash has proposed to Superior Court Judge Laurens Henderson that he file all 200 decrees none put into effect in other words, doing now what should have been done in the first place.

If the supreme court approves her plan, Judge Henderson will file the decrees and the separations will, finally, become legal.

"I'm not worried," Mr. Linder said. "I haven't seen my first wife since that divorce in 1947 and there's nothing of mine she can get her hands on. But, where'd you say that hearing is going to be held?"

A Clemente obituary is on Page 11.

Baseball Star Clemente, 4 Die In Plane Crash

By Peter Osnos

SAN JUAN, Puerto Rico, Jan. 1 (UPI)—U.S. National League baseball star Roberto Clemente and four other persons died in the crash of a cargo plane headed for earthquake-stricken Nicaragua, Coast Guard and Puerto Rican authorities said today.



## A Cross-Channel Romance

### British Things Made Entry Into EEC Before Official Date

By Clyde H. Farnsworth

PARIS, Jan. 1 (UPI)—A Parisian, invited home to dinner by some French friends the other day, was served a Christmas pudding. Lapin Gallois à la Lord Snowdon is making its appearance on some French restaurant menus. The dish is simply Welsh rabbit. Hungry on the Champs Elysees? Try the Red Lion for a tasty steak and kidney pie.

An English food invasion of France can only mean two things: The French have lost their senses or the French are in love. It's probably the latter. As Britain finally joins the European club of nations known as the Common Market, not just the French but all continentalers are fascinated by their cousins across the water.

Of course, there's a little anxiety, too, especially in the business circles thrown off balance by the British investment money that has flooded continental centers over the last 12 months.

**Overvalued Pounds**  
The British used overvalued pounds, as Americans had been using overvalued dollars in the last decade, to buy continental property and industry. The French tightened their controls to keep some of the British money out.

Yet part of the resentment was offset by knowledge that lucrative new markets will open for continental exporters when more than 60 million consumers in Britain, Ireland and Denmark are linked to the internal free-trade arrangements of the EEC.

The shoe manufacturer in Milan or the dyestuffs maker in Leverkusen will find that his products are more competitive inside Britain and will perhaps displace either local British or foreign suppliers.

British manufacturers get reciprocal advantages on the Continent, which could mean a cold bath for a lot of people.

The hope is that the results will be not only greater efficiency and more productivity but also higher general living standards, a faster distribution of the wealth and eventually an economic and political union of Western Europe.

That's a tall order, and everyone knows it. There is none of the starry-eyed idealism that accompanied earlier postwar moves toward European integration. There is instead a realistic assessment of the magnitude of the problems.

As a sample of what's in store, Common Market ministers, including the British, spent 48 hours a few days before Christmas coming to an agreement over the amount of Cyprus sherry that Britain should be permitted to import as a member of the EEC.

In trying to make a single unit out of nine different economies, some interests are going to be hurt—for instance, a truck manufacturer in Lyons whose vehicles have heavier axle weights than regulations permit in other EEC countries.

This is why there are—and will continue to be—such fights in Brussels.

Yet, to look at the positive side, the British membership question, the cause of so much argument in the past, has finally been resolved, and the British at least so it appears to the continentalers, are intent on making the Common Market work.

But that's the stuff of the future, after the marriage. For the time being, the water is warm and romance is in the air.

In Frankfurt, Basel and Brussels the "scene" is being made in the crowded rooms where the bitter and mild wine and lager are served.

There is a high mortality rate for American-style hamburger havens in Germany, but the pubs—which no longer even need a

## Nixon Facing Fight on War In Congress

### Democratic Caucus Weighs Resolution

(Continued from Page 1)

President's negotiations," the telegram said. Similarly, Rep. Benjamin S. Rosenthal D., N.Y., chairman of the House Foreign Affairs Subcommittee on Europe, emphasized that his group would begin hearings this week despite the scheduled resumption of peace negotiations.

#### Probe of Bombing

A State Department spokesman said that Secretary William P. Rogers would not appear before the subcommittee, which will investigate the effects of the Vietnam bombing policy on U.S. diplomacy in Europe. In view of the renewal of negotiations, the State Department official said, Mr. Rogers "does not consider it would be appropriate" to testify.

Rep. Rosenthal declared that, in his view, the halt in bombing "doesn't change what's going on."

"We don't know when we're going to begin another one of these orgies all over again," he declared. "We have to have an orderly diplomatic process. We can't treat foreign governments like naughty children, put them in a closet and spank them."

The State Department also said yesterday that Mr. Rogers would not appear at a special session of the Senate Foreign Relations Committee, as requested by the committee chairman, J. William Fulbright, D., Ark., to discuss the administration's Vietnam policy.

#### Kennedy's Plans

A spokesman for Sen. Edward M. Kennedy, D., Mass., chairman of the Senate Judiciary Subcommittee on Refugees, reaffirmed that Sen. Kennedy would pursue his inquiry into the rules of engagement covering the bombing of North Vietnam and the Pentagon's assessment of civilian war damage.

The spokesman said that a letter from Sen. Kennedy to Secretary of Defense Melvin R. Laird concerning the rules of engagement was sent Friday, a day before the announcement of the halt in the bombing.

"We sort of anticipated a bombing halt," the spokesman said. "We'll pursue it no question about it." The Pentagon has declared that much of the requested information was unavailable.



**GIVING THANKS**—Under a protective umbrella, the Rev. Daniel Berrigan (in center) and the Rev. Ned Murphy pour wine from a jug into paper cups on Sunday as radical priest prepared to say mass outside of New York's St. Patrick's Cathedral. About 100 persons heard him thank God for the bombing halt above North Vietnam's 20th parallel.

#### Aides Already Laying Plans

## Thieu Resigned to Truce Pact, Saigon Reports

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have to be dealt with once the Americans are gone.

#### Taken Remarks

At a New Year's Eve reception for diplomats, Mr. Thieu made remarks that led some observers to conclude that he is still opposed to the proposed cease-fire because Communist forces remaining in the South would seek to "exploit" new conditions more favorable to them.

While Mr. Thieu does believe that the North Vietnamese will attempt territorial incursions in the "twilight" period before and after the cease-fire, according to his aides, he realizes that he can no longer resist the agreement on those grounds.

After his prepared remarks to the diplomats, Mr. Thieu said that he was confident that his government could stand up to the challenges posed by the coming agreement and would ultimately defeat the Communists in any elections.

#### Experts' Talks on Vietnam To Resume in Paris Today

(Continued from Page 1)

Vietnamese were cut during the Hanoi-Halophong bombing and the most prominent man on the Indochina peace front in Paris is

recent days has been French Foreign Minister Maurice Schumann.

Last week he had talks with U.S. delegation head William P. Rogers, American Charge d'Affaires Jack Kubisch and North Vietnam's diplomatic representative Vo Van Sung.

France, which has been host to the talks for four years, has consistently declined to comment on their progress, but when Mr. Schumann heard that the Hanoi-Halophong bombing had been halted, he said, "Hope is reborn. I am beginning to believe that our efforts will not have been in vain."

Informed observers meanwhile said they believed the semi-negotiated peace talks would resume Thursday, when delegates from all four sides would hold their first full session since Dec. 14.

Kissinger to See Nixon  
WASHINGTON, Jan. 1 (AP)—As a prelude to resuming private peace negotiations in Paris, presidential adviser Henry Kissinger plans intensive talks with President Nixon about Vietnam.

The White House said yesterday that Mr. Kissinger will return to Washington from southern California tomorrow for the discussions with the President. The announcement did not specify when Mr. Nixon and Mr. Kissinger would meet.

#### New Fights

Several bills that failed in the last Congress face new fights, and several major programs expire and will provoke controversy.

Left over from last year are the highway, housing, minimum wage, consumer protection agency, no-fault auto insurance and product warranty bills.

The highway bill is over using part of the highway trust fund for mass transit, a proposal that is fiercely resisted by the highway lobby but is receiving increasing support from urban and suburban areas.

Any innovative housing legislation would seem to face even tougher going as the administration digs in to cut back housing programs.

The minimum-wage fight is not so much over raising the \$1.60 hourly wage floor to \$2 or more, as it is over expanding coverage and Republican demands for a lower minimum for teen-age workers.

The administration will send up proposals on tax reform, energy policy and trade. There will be a certain amount of delay while new department heads take hold of their jobs, he said.

House Ways and Means Committee chairman Wilbur D. Mills of Arkansas has promised to give top priority to tax reform. Mr. Mills has long said that a national health insurance program is needed, but he has not yet reached agreement with other leading Democrats in the field on the basic issues of financing and administering it.

Expired programs whose extension will be controversial include the law permitting wage and price controls, elementary and secondary school aid, farm price supports, and the military draft.

## U.S. Scientists Urge Study Of War's Effects in Vietnam

By Victor Cohn

WASHINGTON, Jan. 1 (UPI)—The American Association for the Advancement of Science urged Congress Saturday to begin a full-scale study of the long-range effects of U.S. bombs, chemicals and other advanced weapons on the land and people of Vietnam. In another, "emergency" resolution, the large scientific organization's Legislative Council overwhelmingly condemned U.S. actions in Vietnam and urged immediate withdrawal of all U.S. forces from Vietnam, Laos and Cambodia.

It was the first time that anti-war forces have been able to get such a resolution through the largely middle-of-the-road group, a federation of 300 scientific bodies that have a total of 7 million members.

By an amendment offered by Lewis M. Branscomb, research director of IBM, the group deleted clauses opposing U.S. military participation in Thailand. "We're there by treaty, and I'm not sure that the situation parallels that in the other countries," said Mr. Branscomb, who until recently headed the U.S. National Bureau of Standards. He favored the remainder of the resolution.

The study of Vietnamese war damage was urged in a resolution stating that both scientists and the public deserve a full assessment of all that "American science" has done in Vietnam, "constructive as well as destructive."

#### Constructive Work

"We have done some constructive forestry, built highways and some hospitals and medical centers," said Prof. E. W. Pfeiffer of the University of Montana, one of the action's sponsors. "But the damage we've done far outweighs these."

Dr. Leonard Riese, a physicist who is vice-president of Dartmouth College and AAAS president starting this month, said, "We need a body like the U.S. Atomic Bomb Casualty Commission, which studies the long-range effects of the Hiroshima and Nagasaki bombings after World War II."

"Unless Congress sets up such a study, we'll never know" the truth about many allegations—for example the charge that U.S. chemicals have begun to cause genetic mutations and consequent malformations in Vietnamese children.

Also, he said, such a study is vital if the United States is to help rehabilitate Vietnam intelligently—a goal that President Nixon has endorsed, according to reports from the U.S.-North Vietnamese peace talks.

#### Bill Supported

Specifically, the AAAS council backed a congressional bill calling on Mr. Nixon to ask the National Academy of Sciences to determine both the war's ecological effects and "effective ways and means of rectifying" them. It called for assessment of the results of bombing, of the use of CS gas and of bulldozing large areas of land with "Roundup," a defoliation method sometimes said to be more destructive than chemicals.

But AAAS proponents of the Vietnam study see the report, which would be published within six months, as only a start on the kind of long-range observations that the federally financed Atomic Bomb Casualty Commission made in Japan. Observers' concern and other delayed results of the A-bombs.

The AAAS council has 550 members, but only 17% were present Saturday. The vote on the anti-Vietnam war resolution was 80-41, with many abstentions. This included those of the presiding officers, including Glenn A. Seaborg, until recently U.S. Atomic Energy Commission chairman.

The council also voted to pare down its size to make it less unwieldy and to give major

#### Incident in Paris

PARIS, Jan. 1 (AP)—A small group of young people broke through the windows of the Pan American Airways office here early today.

The protesters also painted a sign saying "Nixon murderer" on the front wall of the airline office on the Avenue des Champs Elysees.

#### Protest in Tokyo

TOKYO, Jan. 1 (Reuters)—South Vietnamese students of rying signs saying "Nixon-Hitler" demonstrated in front of the U.S. Embassy here today. About 200 South Vietnamese students, many of whom took part in the anti-war demonstrations, were joined by about 10 Japanese and several American

a spokesman said.

#### Carrier Planes Hit Tanks

Navy A-7 pilots from the aircraft carrier Oriskany were said to have knocked out two North Vietnamese tanks 15 miles southwest of Quang Tri and destroyed a Communist bulldozer near the city of Kontum, in the Central Highlands.

As it has for the last two weeks, however, the command refused again today to provide any information on the number or location of B-52 raids yesterday.

U.S. troop strength in South Vietnam last week dropped another 100 men to 24,100, the lowest number since Jan. 31, 1968, when there were 25,800.

But there are also 39,000 sailors on board the ships of the Seventh Fleet off the coast of Vietnam and about 40,000 Air Force personnel in Thailand supporting the bombing campaign.

#### Miss Davis in Cuba

MIAMI, Fla., Jan. 1 (AP)—U.S. black militant Angela Davis arrived in Cuba yesterday from Madrid, Radio Havana said. She was invited by the Cuban Communist party to participate in a rally commemorating the 12th anniversary of the Committees for the Defense of the Revolution, according to the newscast.

## WEATHER

	O	P	
ALABAMA	11	52	Partly cl.
ALASKA	11	30	Fair
AMSTERDAM	11	30	Fair
ANTWERP	11	30	Fair
ATHENS	11	52	Partly cl.
BAGDAD	14	97	Fair
BANGKOK	7	77	Fair
BARRANCO	1	34	Fair
BATUM	0	41	Partly cl.
BELGRADE	7	37	Fair
BOMBAY	27	82	Partly cl.
BRAZILIA	23	85	Cloudy
BUDAPEST	11	32	Fair
BUENOS AIRES	15	53	Partly cl.
CAIRO	11	52	Partly cl.
CALCUTTA	11	52	Partly cl.
CANTON	11	52	Partly cl.
CHONGKING	11	52	Partly cl.
COLUMBO	11	52	Partly cl.
DARWIN	11	52	Partly cl.
DELHI	11	52	Partly cl.
GUANGZHOU	11	52	Partly cl.
HANKOW	11	52	Partly cl.
HONGKONG	11	52	Partly cl.
KARACHI	11	52	Partly cl.
KHAROF	11	52	Partly cl.
KUALA LUMPUR	11	52	Partly cl.
LONDON	11	52	Partly cl.
LYON	11	52	Partly cl.
MADRID	11	52	Partly cl.
MILAN	11	52	Partly cl.
MOSCOW	11	52	Partly cl.
MUMBAI	11	52	Partly cl.
NAGASAKI	11	52	Partly cl.
NEW DELHI	11	52	Partly cl.
NEW YORK	11	52	Partly cl.
OSAKA	11	52	Partly cl.
PARIS	11	52	Partly cl.
PRAGUE	11	52	Partly cl.
SEOUL	11	52	Partly cl.
SINGAPORE	11	52	Partly cl.
STOCKHOLM	11	52	Partly cl.
TAIPEI	11	52	Partly cl.
TOKYO	11	52	Partly cl.
YOKOHAMA	11	52	Partly cl.

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كلمة الله



# Nixon Plans Several Moves to Ease Ties With Congress

By David S. Broder

WASHINGTON, Jan. 1 (UPI)—President Nixon is preparing to make his most senior staff members available in groups of senators and representatives for "give-and-take" discussion of all issues that may arise in Congress this year, according to the head of the House legislative liaison.

The offer of extensive, informal discussions with such top presidential advisers as H.R. Haldeman, John D. Ehrlichman, Henry Kissinger and Peter M. Flanigan came from William E. Timmons, the assistant to the President for congressional relations.

Timmons said that Mr. Nixon "actually has not exerted executive privilege as much as other presidents have." He said that White House records indicate only three instances when congressional requests were refused on grounds of executive privilege in Mr. Nixon's first four years in office.

He also said that, without publicity, meetings had been arranged with interested legislators and such men as Daniel P. Moynihan, former counsel to the President; Mr. Eichelbaum, the domestic affairs chief; and Mr. Kissinger, national security adviser. He said he had informally "at Bill Fulbright's house and other places," Sen. J.W. Fulbright, D., Ark., is chairman of the Senate Foreign Relations Committee.

Now, Mr. Timmons said, "I have a plan working" that would broaden those conferences into a program of regular "working lunches" or meetings, involving senior White House staff members and leading members of Congress involved with a particular issue.

He specified in the interview that the meetings would have to be informal sessions without a record or transcript, "not because there is something to hide, but because I'm afraid if it becomes a matter of record, it sets a precedent for them demanding it in the future. I think we've got to protect the President from that."

He also said the sessions could not violate "the tradition that White House staff people do not talk about personal communications with the President."

Whether meetings held under those restrictions would satisfy congressional demand is not clear.

On the question of control of federal spending, which provoked a major showdown with Congress at the end of the 1972 session, Mr. Timmons said the President "would be perfectly happy for Congress to set its own budget ceiling."

"As long as it's reasonable," he said, "the President would accept that." There might still be disagreements between Congress and the executive over the proper funding level for specific programs, he said.

"If they [the House and Senate] would get together... and set a ceiling based on expected income, I think the President would be very happy with that."

Mr. Timmons said his own suggestion would be that the Democratic and Republican leaders of the House and Senate, the members of the House Ways and Means and Senate Finance Committees and the two Appropriations Committees "get together and come up with what they feel is a proper ceiling" on spending.

He also said Mr. Nixon "wants to get the best quality people" to the departments and agencies' congressional liaison jobs "and wants them to carry a greater burden of their own legislative program load" in the next four years.

Asked how he would characterize the state of relations between the President and Congress, Mr. Timmons said:

"Good. Could be better. Never will be perfect."



RIDING IN—Georgia's Lt. Gov. Lester Maddux riding donkey cart in Atlanta to celebrate the New Year with friends. Remembered for his anti-segregation stand a decade ago, he now operates a tourist ship in addition to his activities as lieutenant governor.

## British Search of Publication Stirs Dispute on Free Press

By Alvin Shuster

LONDON, (UPI)—Several weeks ago, two Scotland Yard men walked into the offices of the Railway Gazette, an obscure monthly with a circulation of 12,000. Producing a search warrant, they proceeded to spend nearly three hours opening filing cabinets and desks for clues on a leak of a government document on proposed changes in the country's railroad network.

The incident has stirred a national controversy, raising new questions about the relationship between the government and the press. Members of Parliament and the press described the search as a sinister blow to the freedom of the press. And Richard Hope, the Gazette's editor, charged two weeks ago that his telephone had been bugged by the police.

The dispute, which has involved Prime Minister Edward Heath in parliamentary exchanges, is the latest in a series involving the press here. The Sunday Times, which published the railroad report, was recently stopped by a court from printing a long article on the scandal, a drug that had produced deformed children when taken by pregnant women, on the ground that it might influence negotiations for settlement of a suit for damages by the drug's victims.

Stringent Restraints

British editors operate under much more stringent legal restraints than their colleagues in the United States. There is no written constitution, for example, that guarantees the freedom of the press.

Libel laws, the rules of contempt, the claims of parliamentary privilege, the laws covering secrets, are all much tougher in Britain.

The case of William Farr, the Los Angeles journalist jailed for refusing to reveal his sources, illustrates the differences. During the Charles Manson murder trial in 1970, he published an article that one of the Manson "family" had confessed to a plan to kill Richard Burton, Elizabeth Taylor.

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# U.S. Airports Introducing New Security Rules

By Robert Lindsey

NEW YORK, Jan. 1 (UPI)—Dozens of airports across the country are planning to place all parts of their passenger courthouses off limits to everyone but passengers as they prepare, under federal mandate, to tighten a security net designed to snare potential hijackers.

The move will bring a fundamental change to the experience of taking an airplane trip: no longer, at many airports, will friends, relatives and others be able to wait with passengers before takeoff in the traditional airport lounge adjacent to boarding gates nor be able to meet them as they step off airplanes.

Instead, passengers and well-wishers will say their good-byes—or hellos—in ticket lobbies or elsewhere at the airport away from the long, fingerlike concourses that at most airports lead from the lobbies to boarding gates.

The searches and screening are expected to add still more delays to air travel—and possibly add to its costs. The nation's airlines have asked the Civil Aeronautics Board to approve an increase of \$1 in all one-way fares to cover the cost of the stepped-up security.

In the past, screening and searches of only a small percentage of airline passengers—those on short-haul shuttle flights—have been mandatory, although some airlines have checked all passengers on a voluntary basis. In almost all cases, the search of carry-on luggage and use of electronic detectors has been done in the boarding areas, usually as passengers walked through a corridor toward their plane.

Responsibility Shifted

After Feb. 5, each of the nation's 531 airports served by airlines will have to provide armed local law enforcement officers before each departure to arrest any persons posing a weapon or who is accused of other crimes. Now, federal deputy marshals and customs agents are stationed at some large airports to handle this task, but the administration has transferred the responsibility to local communities despite protests from airports, airlines and the National League of Cities.

A major advantage of establishing check-points at the edge of airport concourses is to reduce the cost of providing airline security agents and guards at each individual boarding gate. Typically, each concourse at an airport can have six or more departure gates.

Besides reducing manpower needs, security specialists said, the practice of checking passengers at the edge of concourses would make it more difficult for hijackers to bolt past a boarding gate and commander a plane—as a group did at Houston last fall after murdering an airline agent.

## Aid to Safety at Small Airfields

By Richard Witkin

NEW YORK, Jan. 1 (UPI)—In Vietnam, an advanced electronic landing system, a versatile departure from previous equipment, has been in use for many months to help guide Air Force planes on to rugged strips.

Similar installations are in operation at a civil airport in California that has a great deal of fog and at a ski-country strip high in the Colorado Rockies.

And there is a promise of many more to come. A week ago, the Federal Aviation Administration announced its intention to pick a standard version of the new generation system that certain airports might install, with the government footing part or all of the bill, during the next seven or eight years.

With the advanced system, more and more currently under-equipped airports will be able to remain open in weather that now closes them down. In addition, these fields should show a significant reduction in landing accidents, the largest single cause of death and injury in aviation.

Microwave Device

Electronic devices to facilitate airplane landings in foul weather date back more than 25 years. What is distinctive about the new devices the FAA is planning to standardize is that they operate at microwave frequencies.

This makes it technologically and economically feasible to install them at airports whose traffic volume is too small and whose surroundings are too rugged to warrant installation of the venerable Instrument Landing System, called the ILS.

Basically, an ILS is an invisible electronic pathway along which a plane glides to the runway as though it were rolling down a moderate incline. The path is delineated by radio beams trans-

## Store Cleared In Sales to N.Y.

NEW YORK, Jan. 1 (UPI)—Alexander's Department Stores was indicated today in its dispute with the city over issuance of a summons early last month when its Bronx store was opened specially on a Sunday to permit holiday season shopping by the ill and disabled.

Afterward, Milton E. Mermelstein, the board chairman of Alexander's, said he was satisfied that "justice was done when the judge declared that we were within the right and we had not violated the law concerning Sabbath closings in the city."

When the summons was issued, Mr. Mermelstein pointed out that the store had not been open to the general public but only to 800 persons invited from 25 institutions for the aged and handicapped, in Alexander's 11th annual special event. The shoppers buy Christmas and Hanukkah gifts, with the proceeds donated to the institutions.

Because of the advantages of microwave, the FAA announced the adoption a year ago of a long-range plan to develop a full-fledged microwave landing system, or MLS, to replace the ILS and meet all civil and military needs "well at least the year 2000." However, under the announced schedule, the first installations would not be made until 1977, and many observers think that is a very optimistic estimate.

## President Sells Florida Lots at \$6,900 Profit

NEW YORK, Jan. 1 (UPI)—President Nixon sold two lots of waterfront land on Key Biscayne, the Florida resort he frequently visits, for \$150,000.

William E. Griffin, a Yonkers, N.Y., lawyer, confirmed that he made the purchase. He said that he had bought the land for investment and possibly to build a home there for his family.

Griffin said the lots are on canal-front land near the entrance to Cape Florida Park. One was bought by Nixon in 1967 at a cost of \$100,000, according to Dade County tax records, and the other was acquired by the President in 1970 for \$85,000.

The property is less than a mile from the closely guarded grounds where the President is spending his Florida trips.

The price of the sale to Mr. Griffin, which took place yesterday, was calculated by the Miami Herald from an examination of stamps on the deed of sale.

Griffin would indicate that the President's wife, Pat, who set a ceiling based on expected income, "I think the President would be very happy with that."

Mr. Timmons said his own suggestion would be that the Democratic and Republican leaders of the House and Senate, the members of the House Ways and Means and Senate Finance Committees and the two Appropriations Committees "get together and come up with what they feel is a proper ceiling" on spending.

## Pilot Flying Plane at Time of Miami Crash

MIAMI, Jan. 1 (UPI)—Investigations reported yesterday that the pilot of the Eastern Airlines jet that crashed Friday in Everglades had a brain tumor.

But they said that the pilot was flying the plane when it crashed.

Slattery, information officer for the National Transportation Safety Board, said yesterday that Eastern Airlines told the medical examiner that the pilot had a small benign tumor. "We do not know whether this had anything to do with the crash," he added.

Slattery also said that there might have been a fourth person in the cockpit when the plane went down. But he is in condition and unable to talk.

Only survivor among the three-man crew died yesterday of his injuries. Investigator pointed out that co-pilot J. Stockstill was flying the plane on a routine practice flight for Robert A. Loft, who had been flying experience with both he and Capt. Loft in the crash.

## Hurt, 36 Arrested Florida Meloe

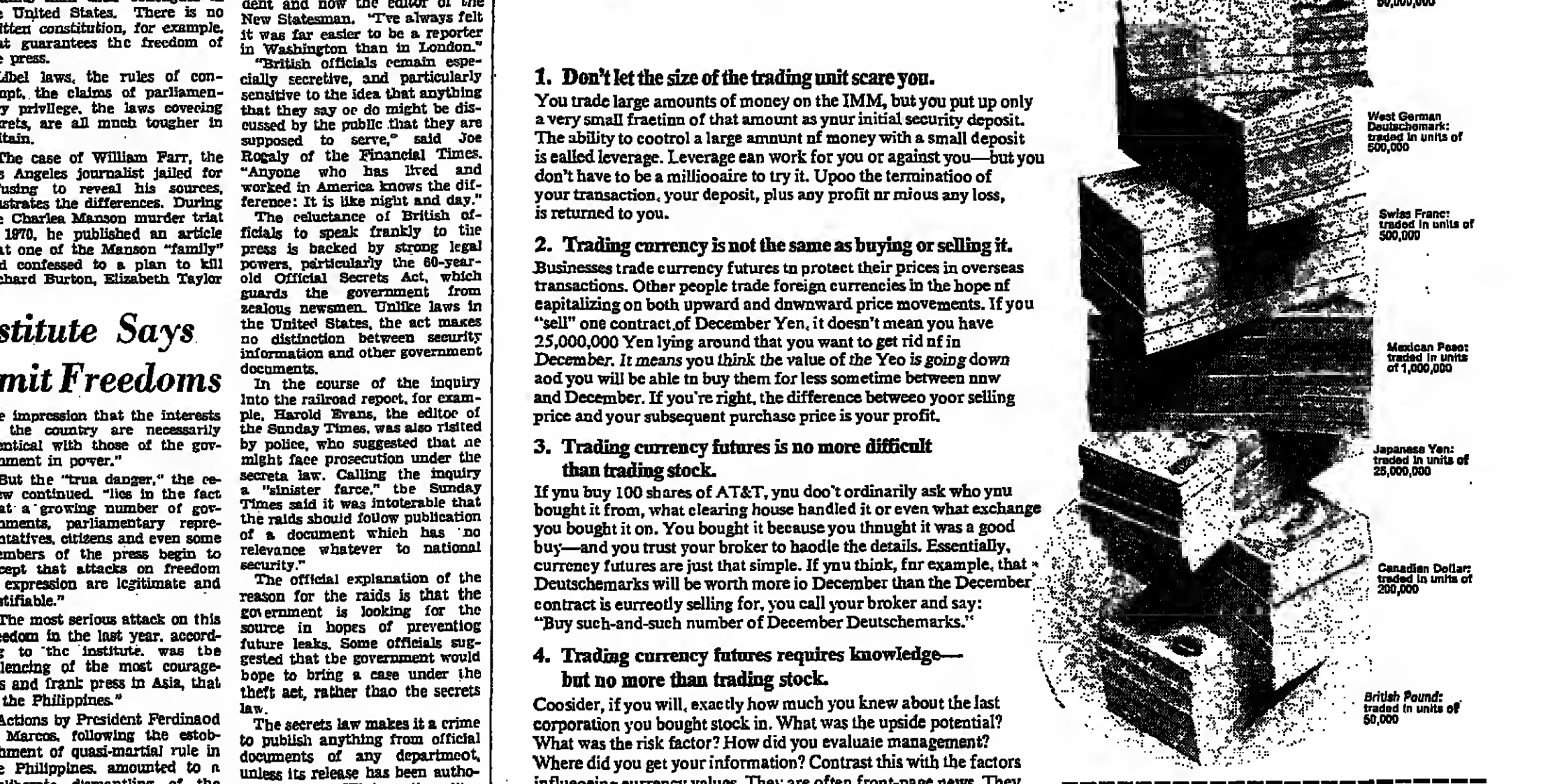
LAUDERDALE, Fla. (AP)—Police battled a mob of about 4,000 and 6,000 "beat" revelers at a popular party early today. Twenty persons, including 16 police, were injured and 36 were arrested, the police said.

The disturbance broke out midnight when a crowd of about 150 law enforcement men was required to quell the disturbance, which covered a half mile of bars and favored by college vacationers.

The disturbance broke out midnight when a crowd of about 150 law enforcement men was required to quell the disturbance, which covered a half mile of bars and favored by college vacationers.

# A guide to currency futures trading.

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If you buy 100 shares of AT&T, you don't ordinarily ask who you bought it from, what clearing house handled it or even what exchange you bought it on. You bought it because you thought it was a good buy—and you trust your broker to handle the details. Essentially, currency futures are just that simple. If you think, for example, that Deutschmarks will be worth more in December than the December contract is currently selling for, you call your broker and say: "Buy such-and-such number of December Deutschmarks."

**4. Trading currency futures requires knowledge—but no more than trading stock.**  
Consider, if you will, exactly how much you knew about the last corporation you bought stock in. What was the upside potential? What was the risk factor? How did you evaluate management? Where did you get your information? Contrast this with the factors influencing currency values. They are often front-page news. They are often on the TV news. If you combine a reasonable knowledge of world business and political affairs with the free information and bibliography that we offer, you can be well on your way to trading currency futures.

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## The Newer Europe

The mixed emotions with which the Six greet the Three—and vice-versa—into the newer Europe are quite understandable. Great ideas, whether they are voiced by Marx, Mao or Jean Monnet, are seldom easy to live with, and the complex social and economic structure which Western Europe evolved over centuries of nationalism are not to be compressed simply or quickly into the framework of the Treaty of Rome.

This is particularly true when the Common Market transports its booths and its plitche across the Channel into that seeped isle (in this case two seeped isles) whose destiny has been at once so closely linked to and sharply divided from the Continent. The Six—and to some extent Denmark—have already adjusted to the new Europe which has been realigned along the Elbe into East and West, rather than fragmented by the Rhine, the Danube, the Alps and a number of largely arbitrary frontiers. But the United Kingdom—and, to a lesser degree, Ireland—still look wistfully back on markets across the seas which once were guaranteed by empire and commonwealth, and the policies that those markets helped shape.

Britain's entry into the Common Market is still, in fact, conditional, since Her Majesty's opposition (and quite a number of Conservatives) are ready to try to un-

scramble the EEC if the political balance shifts, and public opinion permits. British labor, if not necessarily the Labor party, has usually been more nationalist than socialist, and much will depend on how the unions act under the new conditions.

But granted all the dubieties of the newer Europe, the idea it represents is a great one, a rational adaptation of that powerhouse of global energy, the continent that transformed the world, to a situation in which the global transformation is virtually complete, and the role of Europe must be quite different.

Moreover, it is an idea that is intended for men to live by, not to die for. One can conceive of the Common Market creating economic jealousies outside its boundaries, of tensions arising from them. But it is much harder to visualize men marching off to battle singing, in the seven official languages of the market (including the largely ornamental Gaelic a hymn to the virtues of eliminating tariffs among the Nine. It may be one of the political weaknesses of the Common Market that it does not lend itself to the simpler emotions—but at the same time it is an evidence of human maturity, and in some degree a safeguard against demagoguery. And in that respect no less than in its promise of a sounder, stronger economy for its members, the expanded Common Market represents a hopeful sign as mankind moves into 1973.

## 'Hope Is Reborn'

President Nixon's decision to stop the bombing of North Vietnam north of the twentieth parallel and to send Henry Kissinger back to Paris signals a return to sanity that will be greeted with relief throughout the nation and the world. As French Foreign Minister Maurice Schumann remarked: "Hope is reborn."

Welcome as is the abandonment of this rain of death from the sky, the same mystery that surrounded the escalation of the air war two weeks ago surrounds its termination. There is still no trustworthy information on what caused the initial breakdown in negotiations, why the President thought bombing of the densely populated Hanoi-Haiphong area would accomplish anything constructive and, least of all, whether there is any new readiness by Hanoi, Saigon or Washington to make concessions that will bring a total end to the killing in Vietnam. The two indispensable ingredients in "serious" negotiations of the kind now promised are greater flexibility and a genuine mutual will for peace.

North Vietnam has undoubtedly suffered cruelly from the most intensive aerial bombardment in history, but the United States has also paid a terrible price for this crude attempt to negotiate through terror. Losses in aircraft and men were staggering, even accepting the official estimate of 25 planes shot down, including fifteen giant B-52s, and 93 airmen killed, captured or missing. But the still larger loss for the long run is in credibility and respect at home and abroad.

The damage to U.S. moral leadership in the world was reflected in the report of Dr. Leon N. Cooper of Brown University, returning from a month in Europe where he received a Nobel Prize in physics. He said his conversations with Europeans had convinced him that "we are coming to be regarded in the eyes of the world as twentieth-century Huns." Similar expressions of outrage and condemnation have echoed throughout the globe, from official as well as unofficial sources, among them many long-time friends of this country.

At home, the aerial blitz in the face of an agreement that chief presidential negotiator Kissinger had described as "99 percent" complete transformed a national tragedy into an Orwellian nightmare. Sen. William B. Saxbe, Republican of Ohio, expressed the incredulous despair of many Americans when he said: "I have followed President Nixon through all his convulsions and specious arguments, but he appears to have lost his senses on this."

The cessation of bombing north of the twentieth parallel recreates an environment for progress toward peace. But the very fact that intensive talks will not even begin again until next week raises doubt that anything fundamental has changed. If that missing 1 percent Mr. Kissinger says is needed for a full accord continues to prove a will of the wisp, an exasperated Congress will have to exercise its own prerogative to cut off funds for this unholy and unwanted war.

THE NEW YORK TIMES.

## Merest Pinch

The first pinch of SALT II is hardly enough to whet anyone's appetite. The only apparent achievement of the Soviet and American negotiators in a month of Geneva talks was the creation of a four-man consultative commission to supervise past and future strategic arms agreements, as foreseen in last May's agreements at the end of SALT I.

This standing commission undoubtedly has useful potential in the ongoing arms dialogue between the two superpowers, but it is disappointing that its formation alone was considered enough to justify the first round of renewed discussions. There is a dilatory mood around this whole exercise that belies the practical and psychological benefits that could ensue in both parties from more energetic efforts.

No one pretends that SALT II can achieve any quick agreement on the complex issues of weapons trade-offs and balancing of deterrents that hang unresolved after SALT I. It is generally accepted that the current strategic arms limitation talks will

go on for years, but the awesome length of the journey cannot be allowed to inhibit the first steps.

Much of the inertia lies in Washington rather than over the Geneva bargaining table. Preoccupied with bringing Vietnam peace to hand last fall, the Nixon administration's top policymakers reportedly hardly read the studies and position papers which the American negotiators were to carry into SALT II. Even less did they make the tough decisions about what to propose and where to concentrate negotiating efforts. Not least among the baleful side-effects of the resumed Vietnam air offensive was this tendency toward ever more procrastination on other foreign policy matters, for simple lack of time and creative energies left over among the harried men who have to make the decisions.

SALT II resumes in two months' time. Surely the present madness over Vietnam cannot endure to the immobilization of all other foreign business.

THE NEW YORK TIMES.

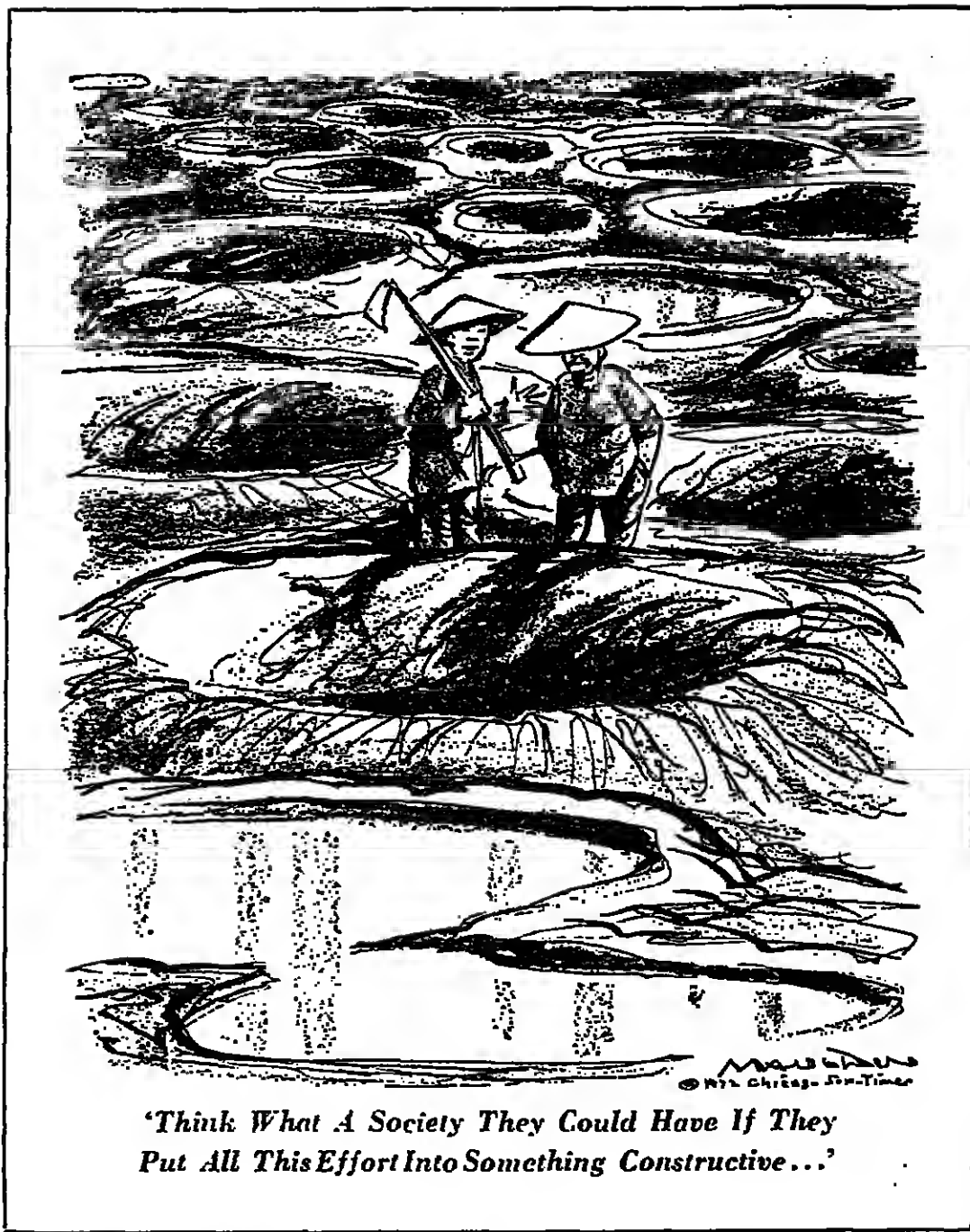
## In the International Edition

### Seventy-Five Years Ago

January 2, 1898  
LONDON.—The dangers of cycling in the City of London have apparently been exaggerated. It appears, according to the Daily Telegraph, that during last year, on an average, there has not been one cyclist a week summoned for reckless riding to the public danger. The actual number being 51. And as for accidents in general, it seems that the cyclist has had far fewer than any other driver of the numerous other vehicles on the road.

### Fifty Years Ago

January 2, 1923  
NEW YORK.—There were fifty-seven lynchings in the United States during 1922, of which fifty-one were of Negroes. Texas had 18, Georgia 11, Mississippi 9, Florida and Arkansas 5 each, Louisiana 3, Alabama and Tennessee 2, Oklahoma and South Carolina 1. Although this barbaric way of doing justice is still with us, it can be hopefully observed that the total number of lynchings was seven fewer than in 1921.



'Think What A Society They Could Have If They Put All This Effort Into Something Constructive...'

## The Confrontation Congress

By Joseph Kraft

WASHINGTON.—The 93d Congress convenes this week in an atmosphere of confrontation with President Nixon. Harsh issues are harshly drawn, and for once there is no procedural insulation.

The only question is a question of style. It is not clear whether the men pleased to call themselves leaders in the Senate and House are truly prepared to take responsibility for the strong actions that are now required.

President Nixon is himself entirely to blame for the atmosphere of confrontation. In three areas he has initiated actions contemptuous of the Congress and its leading figures. First there was the escalation in Vietnam. The terror bombing of Hanoi and Haiphong has not only brought death in hundreds of thousands and caused terrible losses to American manpower and planes. It has also involved the use of overwhelming military force for a nonmilitary objective which nobody understands very well.

Even so, there was no consultation with the Congress. Leading Senate Republicans, including minority leader Hugh Scott, were ignored in the decision-making. To this day there has been no briefing of George Mahon, the Texas Democrat who, as chairman of the House Appropriations Committee, is most responsible for the hundreds of millions in supplemental funds that will be required to pay for the escalation.

### Impounding Funds

Then there is the matter of impounding funds voted by Congress in the past session. At all times there has been some stoppage in the executive branch of some appropriations voted by the Congress. But the past practice has been to impound only one or two highly controversial appropriations—and for clearly defined reasons.

Mr. Nixon has gone way beyond the norm. For example, he has impounded funds for water pollution legislation which were passed by the Congress over his veto. He has simply cut out a program for environmental protection in rural areas though the program is a dozen years old.

Finally there is the matter of executive privilege. That involves

the right of the President to transmit his decision-making in private. All recent presidents have invoked the privilege, and the rule of reason is that a small amount of executive privilege is surely necessary.

But President Nixon has downgraded the cabinet and other agencies of the executive to almost nominal status. He has gathered all significant authority into the White House. Even so, when responsible officials are called by the Congress, he regularly invokes the executive privilege against their testimony.

The mood of the Congress in the face of these provocations is angry. Mr. Nixon, unlike President Johnson before him, has no reserve of affection on the hill. More and more one hears hostile personal comments. It is typical that in condemning the bombing Sen. William Saxbe, an Ohio Republican, reflected on the President's sanity.

### No Affection

The absence of affection for the President is supplemented by a lack of procedural obstructions. In years past the Congress used to mark time for its first month of business while the Senate debated Rule 22 and various other fine points relating to closing off a filibuster. But Senate liberals now see the value of the filibuster for minorities dear to them. This year, accordingly, there will be no fight on Rule 22.

Neither is there much doubt about what steps are required to curb the President. The best way to assure presidential restraint on the war is still to cut off appropriations for Vietnam. In response to indiscriminate impoundment, the Congress can easily hold up funds for the White House. With respect to executive privilege the right tactic is a tough investigation of the Watergate affair in which the President's closest aides showed such scant respect for the privacy of other political leaders.

Presumably because the issues are now so clear cut, the spotlight is on the congressional leadership. If the showdown does not materialize, everyone will know the reason why.

It will be mainly because of the cheap opportunists—men like Sen-

ate minority leader Hugh Scott, who in the past have talked a good game but then gone out on the field and bootlegged the ball to the President. It will be because the few highly principled leaders, notably Senate majority leader Mansfield, have been too decent to deal effectively with a President devoid of respect for the civility essential to self-government.

## War Is Peace

By Anthony Lewis

LONDON.—Fragment found in a dusty future corner of a time machine:

Dr. Kissinger—Ladies and gentlemen, after the 7th round of negotiations, I can say that a peace agreement is now 99 and 44/100 percent complete. It is obvious that a war that has preoccupied us for a generation is drawing to a conclusion.

If you will permit me, I would like to make one personal comment. When the number of North Vietnamese killed by the bombing passed 8 million last week, I noticed that a foreign commentator asked how I could go on playing a part in such a war. Those of you who know me best, who have been my friends over these many difficult years, will know that my object all along has been to settle this war by negotiations.

That end is at hand. All that remains is to be sure that the peace will be a lasting one.

The President has therefore asked for a few minor clarifications in the tentative agreement. I will not go into the substance of the negotiations, but I can give you an example of the kind of problem the President wants to settle without ambiguity. That is the problem of elections.

The agreement has always been that the war would be followed in due course by a free election in South Vietnam. But President Thieu has left a concern—and I may say that we regard it as a justified concern—about the effect undisciplined parties might have on the fragile structure of democracy in South Vietnam. We have therefore suggested that we include in the peace agreement a clear provision that only members of the New Democracy party be allowed to vote. As you know, that is President Thieu's party.

I have read some speculation in the press about Saigon having a veto on this agreement. Let me assure you, ladies and gentlemen, that there is no such thing. The obstacle cannot be Saigon, because we do not have, as yet, an agreement that we can present to Saigon.

The obstacle is North Vietnam. For the 12th year in a row I have had to break off the talks because the other side is not serious.

If they would show goodwill, we remain convinced that the unsettled issues are soluble in a very brief period. We have given a solemn undertaking, and I repeat it here now, to settle them at one more meeting.

Thank you. I will be glad to answer your questions.

Q.—Why do you think the North Vietnamese refuse to be serious?

A.—I don't want to speculate on their motives. But I can indicate the kind of charade we have been facing.

## Consensus Politician

## The Brezhnev Style

By Hedrick Smith

MOSCOW.—In 1963, the Soviet Union suffered a catastrophic grain harvest and was forced to buy 12 million tons of grain from the West there were bread shortages in winter and the next fall Nikita S. Khrushchev was toppled from the premiership. This year, there has been another disastrous harvest, the Kremlin has bought roughly 25 million tons of wheat from the West—as before, mostly from America—and there is an air of belt-tightening. But the Communist party leader Leonid I. Brezhnev, appears solidly in charge.

At the recent celebrations of the 50th anniversary of the Soviet Union, the 66-year-old Soviet leader not only gave the main address of three and one-half hours and held a series of separate and highly publicized meetings with visiting leaders, among them Fidel Castro, the Cuban Premier, and Nicolae Ceausescu, the Romanian President, but he also appeared to have bounced back from what over physical ailment had kept him out of action for a month earlier this fall.

When he returned to public view for the Revolutionary Day celebrations on Nov. 7 he looked wan and moved like a man recovering slowly from an operation. But this last week he moved up to the speaker's podium with vigor and kept up a heavy schedule of activities that testified to his physical as well as political good health.

No one outside the Soviet Politburo can be certain about the power relations within it. But all outward evidence points toward the conclusion that in spite of the harvest disaster, Mr. Brezhnev is in a stronger position now than ever, though still sharing prominence with Premier Alexei N. Kosygin and President Nikolai V. Podgorniy, his compatriots in the top triumvirate.

What accounts for the difference between Mr. Brezhnev and his flamboyant predecessor, Mr. Khrushchev?

In part, it is a question of political style. Mr. Khrushchev offended his Politburo colleagues, who ultimately ousted him, by impulsively establishing one-man rule and going out on limbo on policy such as prebaltic development of the Byelorussian and putting mines into Cuba. That made him personally vulnerable in case of failures.

By contrast, Mr. Brezhnev is considered a consensus politician. He has tended to operate as chairman of the board of direc-

tors of Soviet Communism fully lining up other league before making moves.

Foreigners who have with him privately rate him as a "damned good politician," skilled at ruffling feelings and a consensus among the leadership at the top of power in the Kremlin.

In part, it is also a question of tactics. Mr. Khrushchev, many of the second-level chiefs, the very people once saved him from a coup in 1957, by cutting their authority with his divide the party hierarchy, agricultural and industrial elites. Others were under his on-again-off-again de-

### Delicate Balance

By contrast, Mr. Brezhnev cultivated support of the hierarchy by preserving a delicate balance of power. He has been more successful in this than to outdo Khrushchev.

On matters of policy, Mr. Brezhnev has been more successful in this than to outdo Khrushchev. He has been more successful in this than to outdo Khrushchev.

But under the pressure of economic setbacks, Mr. Brezhnev in his latest policy states has moved toward the conservatives, downgrading the given the consumer sector in language that undoubtedly pleases Mr. Shelest, praising successes this year of the U.S. nuclear industry, while the plan for oil and natural gas industries fell short of targets.

### Barnstorming

Moreover, unlike Mr. Khrushchev, Mr. Brezhnev went barnstorming last September in virgin lands, Siberia and Asia, the few regions where agriculture was suffering this year, thereby demonstrating his concern and his effective Western diplomats credit him with shrewdly arranging large-scale Western grain purchases at bargain rates in exchange for Soviet oil.

In foreign policy Mr. Brezhnev has recovered from the failure that several analysts credit to have been the real cause of Mr. Khrushchev's undoing.

Through Mr. Brezhnev's "Westpolitik," as West European diplomats have been calling it, has won American acceptance of strategic equality with the Soviet Union as well as West German recognition of the postwar borders in Eastern Europe and separate East German state. Two objectives that constituted Mr. Khrushchev's foreign policy.

Neither was able to end the split with China but neither held personally responsible for that.

The one point on which Brezhnev now seems vulnerable considering the strong pressure he has taken in relation to the decision to be host to President Nixon last May despite mining of Haiphong harbor heavy bombing.

When the peace hopes in Vietnam almost vanished, Mr. Brezhnev felt embarrassed and the press projected the air of a defeat. But it was not as much as it seemed. Any change in power in the Kremlin.

The International Herald Tribune welcomes letters from readers. Short letters have better chance of being published. All letters are subject to condensation for space. Anonymous letters will not be considered for publication. Writers may request that their letters be signed or initials, but preference will be given to those signed and bearing the writer's complete address.

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مكتبة الشعب

## U.S. Library Draws Throngs Bucharest, Like an Oasis

By Raymond H. Anderson  
BUCHAREST, (UPI)—In less than a year, since its opening, the American Library (American Cultural Center) has become a sort of intellectual oasis for Bucharest.

The cultural facility also has art exhibition halls, language classrooms, a theater and a music room. The music room in particular is filled throughout the day, mainly by young people eager to listen to jazz and pop songs.

"The pressure from the young people is so great that we had to set aside one day just for older people who want to hear classical music," said William Lassalle, director of the library.

It is in two 19th-century mansions, linked by a former stable, on Alexandru Sabla Street near the center of Bucharest. Unlike the conventional interiors of many American libraries abroad, the facility is decorated in bold colors and designs that are somewhat startling to Romanians.

"Our facilities are largely for intellectuals, for people who want access to latest developments in culture, technology and science," Mr. Lassalle said during a tour of the center. "The modern decor helps to create the right mood."

The library shows documentary films about five times a week, organizes seminars and lectures, gives art exhibitions and conducts intensive English-language courses. It lends an average of 150 films a month to Romanian institutions.

Art Draws Crowds  
As many as 1,000 visitors a day enter the unguarded center during art exhibitions. One of the more popular recent exhibitions was of paintings by two American Indians, Fritz Scholder and T. C. Cannon.

Among other cultural activities, the library has organized an American music week, with jazz, rock and classical performers and lectures in electronic music. It also has had programs in the American theater, a playing of Leonard Bernstein's "Mass," a showing of James Michener's art collection and a seminar on the writing of John Updike.

What do Romanians think of the Biblioteca Americana? A bushy-haired student in a leather jacket offered a commentary as he stood disappointed at the doorway shortly after closing time, too late to return two books.

"It's organized and it's modern," he said. "The lights are bright and the books are new."



**HOLIDAY PARADE**—Frances, a St. Bernard, presented her owners, Mr. and Mrs. Albert Smith, of Bangor, Maine, with a memorable Christmas present . . . 17 pups. Three of the little ones died, but that still leaves 14 mouths to feed. The litter is the first . . . and the last . . . for Frances, according to an overwhelmed Mrs. Smith.

### Some Operations Delayed

## U.S. Blood Banks Run Short Over Holidays

By Lawrence K. Altman  
NEW YORK, Jan. 1 (UPI)—Holiday-season blood shortages so severe as to force postponement of elective surgery existed in several major cities across the United States.

Acute shortages were first noted in New York City, where last weekend officials of the Greater New York Blood Bank Program asked surgeons to cancel all but emergency operations. Although donors responded in sufficient numbers to increase the blood reserve to a day and a half's supply, still shortages were so great yesterday that officials said they could not effectively deal with a disaster such as an airplane or bus crash.

Even in cities where blood supplies were low but still adequate to permit elective surgery, hospitals were forced to rely on blood from paid donors, thus increasing the risks of patients' developing infectious or serum hepatitis, which are serious liver infections. Use of commercial blood carries with it a much greater risk of a patient's developing hepatitis from several weeks to months after receiving a transfusion of even one pint of blood.

Cities With Shortages  
Among the areas where blood was in short supply were metropolitan New York, Boston and elsewhere in Massachusetts, Philadelphia, Baltimore, Washington, Fredericksburg, Va., New Orleans and Shreveport, La. Chicago and Los Angeles. Some cities were able to meet their community needs only by importing blood that had been donated elsewhere. Injuries resulting from recent plane crashes in Chicago further depleted that city's supplies.

Blood-bank officials in Detroit said that their supplies were "dangerously low" but that they have not requested surgeons to postpone elective operations as

has been done in some of the other above cities.

Successive three-day holiday weekends for Christmas and New Year have also strained the working schedules of many blood banks, officials said, making it harder for them to keep up the minimal volumes that are constantly needed to treat patients with a wide variety of diseases from cancer to stomach ulcers to blood disorders. Blood is also needed daily to treat patients with injuries suffered in automobile accidents.

### Swiss Speed Limit

BERN, Jan. 1 (UPI)—A 100-kilometer-an-hour speed limit came into force today on all Swiss roads except freeways. The speed limit, termed a three-year experiment by the government, was aimed at cutting traffic deaths—already among the fewest in Europe—still further.

### As Opposition Gathers Strength After Quake

## Future of Managua, Ruling Family Uncertain

By Francis B. Kent

MANAGUA, Nicaragua, Jan. 1.—It was never really much of a city as world capitals go. It was hot and dusty and there was nothing in the way of classical architecture or memorable restaurants.

But it was Nicaragua's capital city and home for more than 500,000 people.

Today, Managua is a wasteland, destroyed 48 hours before Christmas morning by an earthquake that left up to 7,000 dead and no one knows how many injured. It is home, in the real sense of the word, for no one.

Thanks to a magnificent relief effort by more than 25 nations, this little Central American republic is gradually sorting itself out.

Medicine, food, clothing and other necessities are coming in by air, sea, and land in a continuous stream. Distribution to outlying towns to which the homeless have fled has been a problem, but organization is improving by the day.

There are and will be critical shortages. No one is ruling out the possibility of fierce battles over the inadequate rations trickling into some areas. Troops have already been called out more than once to put down impatient riots.

And there are still hundreds, probably thousands, of dazed survivors here in what used to be Managua, huddled silently among the few possessions piled in front of their wrecked homes, unwilling to leave but unable to stay much longer.

Still to be faced, though, is the complex question of Nicaragua's future, a question obscured for the most part by the confusion of digging out and unraveling the urgent problems that go with disaster.

What, for example, should be the site of the new capital? Should it be rebuilt on the ruins of Managua or should it be shifted elsewhere?

What of the country's infant industrial community? Should it be reconstructed here or should it be decentralized, scattered to smaller cities that have been largely bypassed in the process of development?

What will be the political impact in a country that has been ruled for more than three decades by a single family? The question is valid because loyalties have been severely tested in the hectic week just ended.

As to the capital itself, the

decision could be handed down in effect by one man, Gen. Anastasio Somoza Debayle. Gen. Somoza, who like his father and brother has served as president, is currently at the center of power as commander of the National Guard, Nicaragua's standing army. He took over after imposing martial law in the first hours following the earthquake.

### Capital by Law

For the record, Gen. Somoza has said only that "Managua is the capital city by law. It would require an act of Congress to move it."

Already, though, there is agitation outside Managua to transfer the seat of government to another site, to one or the other of Nicaragua's two principal provincial capitals—Leon and Granada—or to a presently uninhabited area.

To the northwest at Leon, the

traditional stronghold of Gen. Somoza's Liberal party, steps are being taken to install at least part of the federal government. Mayor Roger Blandon Velasquez told reporters that the Ministries of Education and Social Security were already functioning there and that quarters were being sought for the Agriculture Ministry.

Mr. Blandon said, too, that an effort was being made to attract some of the factories that will have to be rebuilt to replace those destroyed in Managua.

Similar claims were being pressed at Granada, the historical seat of the opposition Conservatives, to the southeast. Managua is roughly midway between the two.

Meanwhile, Gen. Somoza will have to face up to political questions of increasing delicacy.

To begin with, serious charges have been raised that officers and men of his National Guard have engaged in organized looting of Managua's battered commercial district and that they have stockpiled emergency relief supplies for their personal use.

Reporters have seen men in uniform carrying off valuable appliances, and Gen. Somoza himself is reported to have cautioned his men against violating the laws.

Reserve Supplies  
At Leon, the provincial commandant, Col. Benjamin Campo, admitted that he had received supplies of food from the Guatemalan Army and that these were being "kept in reserve as a means of controlling distributions in the event of critical shortages." He did not say what he had stockpiled or in what quantities.

Shortages of almost everything have already reached the critical point at Leon.

Further, the Conservatives at Granada were obviously much more in command of the emergency than were the Liberals of Leon. Working with the church, they had completed a register of the masses who fled from Managua, rounded up provisions and made arrangements for orderly distribution.

At Leon, supplies were dwindling and as late as Friday hurried officials at the city hall were still in the process of getting organized.

This contrast in performance could bear heavily on the election scheduled for little more than a year from now.

© Los Angeles Times

## Peter M. Dwyer Dies; Detected Spy Klaus Fuchs

OTTAWA, Jan. 1 (AP)—Peter M. Dwyer, 58, a former director of the Canada Council and a one-time British Secret Service agent credited with nabbing atom spy Klaus Fuchs, died yesterday.

Mr. Dwyer had suffered a stroke about two years ago and had another Saturday. British-born, he came to Canada after heading the British Secret Service in Washington during and after World War II.

His first job in Canada was with the National Research Council.

Kim Philby, the Russian spy who infiltrated the British Secret Service and replaced Mr. Dwyer in Washington in 1949, credited his predecessor with fingering Fuchs as the leak at the Los Alamos, N.M., nuclear research center.

In his book "My Silent War," Philby wrote that Mr. Dwyer, by a "brilliant piece of analysis" of the movements of Fuchs and other suspects, singled out Fuchs, a British physicist, as the spy.

John H. Kaufmann

ALEXANDRIA, Va., Jan. 1 (AP)—John H. Kaufmann, 53, an official of the Agency for International Development, died Saturday. He was responsible for reviewing all lending operations of this foreign aid agency.

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## The American Matador from Seville

By Ike Taylor

SEVILLE, Spain (UPI)—John Fulton Short is a modest, lanky man from Philadelphia with an improbable past and a promising future.

Short—or Fulton as he is known in Seville where he has lived for 15 years—is a full-fledged matador, an author and an artist—he owns two galleries, one in Marbella and another that he opened recently in Seville.

Despite an apparent disparity of interests, Fulton's three careers have a central theme: the bullfight.

"When I was 13 years old, I saw Tyrone Power in the movie 'Blood and Sand' and knew I had to be a bullfighter." That 1941 movie led to a 20-year struggle to reach the top in one

of the world's most competitive sports.

"While a student at the Philadelphia Museum School of Art," he said, "I won a scholarship to study for a year at the San Miguel de Allende Art Institute in Mexico. There, I met the Mexican matador Pepe Ortiz, who had a ranch nearby. He guided me in my first steps as a bullfighter. And, there in Mexico in 1953, I killed my first bull."

Later, while doing his military service, Fulton was stationed in Texas and moonlighted on weekends in the Mexican bullrings.

"I had read Ernest Hemingway's 'Death in the Afternoon,'" he went on, "and knew I must go to Spain. I arrived in Seville in 1956. To say I was given the run-around by the Spanish impresarios, is putting it mildly."

After his acceptance in Spain, he made several tours of Mexico and has fought on the same bill as El Cordoba, Antonio Ordoñez and other top matadors.

Fulton, who is tall (6-foot-1) and slender (190 pounds), a little gray in his light brown hair, talks more about bulls than art or books. "If you talk about art," he says, "you talk it out of yourself. I like to do it, not talk about it."

He got some fights as a novillero but "my early years in Spain were lean." He supported himself by selling paintings and drawings. Finally, in 1963, he was promoted to the rank of full matador in the Real Maestranza bullring in Seville, the only American ever to be so honored in this city.

"A lot of people encouraged me, including Ernest Hemingway," Fulton recalled. "He gave me \$100 once when I really needed it. It was a lot of money in those days."

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What he does are realistic works on bullfighting themes—oil and pen and ink drawings of animals and bullfighters. He uses bull's blood as a medium. "I owe my interest in bull's blood as a medium to James A. Michener, the writer," he said. "He took me with him to see the cave paintings at Altamira. . . I was impressed that the cave men had used bull's blood in their paintings. So I began to experiment with it. I only use the blood from bulls I have killed in the arena." The resulting appearance is akin to that of a deep red wash.

As a foreign bullfighter, Fulton has had to follow the rules

exactly. No innovations. But, in his paintings, he makes his own rules. "I don't have any particular style. I just paint the way I want to at the moment. As a matador, I have gone as far as I can go. But in art, I am just coming into my own. I can only get better."

As far as writing is concerned, Fulton seems to have a success on his hands: "Bullfighting," published last year by Dial Press. "After so many Americans and other foreigners asked me the same questions about bullfighting so many times, I decided to write all the answers down," he said. "Words came hard for me as I had never written anything before."

Different from most books on bullfighting, which are written for the expert or deal with the romantic past, Fulton's book is a primer, heavily illustrated with photographs and his own precise drawings. "It seems to be selling well in the States," he said.

Fulton has little encouragement to offer foreigners interested in following his example. "I still fight because I like it," he said, "but the system all but eliminates foreigners from fighting in Spanish bullrings." Most of his book's now are on the Costa del Sol and in other tourist centers where he is a drawing card. "The bullfighting setup was—and still is—to say the least, discouraging."

John Fulton in his traje de luces.



## PORTUGAL

### The Art of Rug-Making in a Prison

By Henry Giniger

LISBON (UPI)—Portugal's only prison for women has also become one of the country's most successful manufacturing centers. The major product is rugs, with the demand for them so high that the prison has a three-year backlog of orders and will not accept new ones for another two years.

The handsome wool rugs, each painstakingly handwoven by the women inmates, grace the floors of embassies and private homes throughout the world. Everybody seems proud and happy about the activity—the customers, the inmates, the smiling and patient Roman Catholic nuns who watch over them and the penal authorities, who are eager to show visitors their model prison.

The whitewashed buildings with red-tiled roofs are spread over about 85 acres of gardens and vegetable plots near the little town of Tires in the Estoril area, a few miles north of Lisbon. Few male guards can be seen, surveillance and discipline being left to soft-spoken and gentle nuns who belong to the order of Our Lady of the Good Shepherd.

#### Half Full

Three large pavilions are designed to house 150 prisoners each but the prison is only about half-filled. Ortilio Barbas, deputy director-general of prisons, said that "the crime rate in Portugal has gone down."

The Portuguese penal code makes work in prison obligatory, but Sister Mary of Precious Blood says there is no problem applying the rule.

"They all want to work," she said. "They earn good money. Some of it goes to help support families on the outside. Some of it is saved. One prisoner left here with more than \$1,500 from her work."

The women, who wear blue smocks, work in a large, bright room, patiently sewing with large needles. For rug backgrounds they are paid not quite \$4 a square meter and for sewing in the design, just under \$3 a square meter. The stitching, a kind of herringbone weave, is identified with the town of Arraiolos, where this type of rug first became famous. Colors are subdued and designs are usually conservative.

"Americans generally like brighter colors than others," Sister Mary said. The price for a standard design and standard colors is \$21.37 a square meter but this may go up to \$22.90 a square meter for more complicated things. (When the prison is accepting orders, it will do a customer's own design.) The attractive prices help account for the present backlog of some 400 rugs.

In other rooms, prisoners do embroidery work or make utility clothes for other public institutions. One major activity is mak-

ing shoe boxes for Sears Roebuck and Co.

Some of the women have been inmates for a long time. Portugal abolished the death sentence more than 80 years ago, with sentences for crimes such as murder calling for a maximum of 30 years. Mr. Barbas said a lot of women were making rugs in prison after having murdered their philandering husbands, usually with progressively large doses of rat poison. The group is known as the "Merry Widows Club."

"The Portuguese are very jealous people," he said.

Each prisoner has her own small room that she is allowed to decorate herself. Younger women with only a few years of schooling get an opportunity to complete their education, as well as work.

The system also allows the women to keep their children

with them up to the age of 10 (youngsters up to 8 are usually permitted to stay) children are housed in the building with a kindergarten see their mothers in the evening.

The nuns report that there are no problems at the prison. They appear to respond to a treatment (and the fact that is a devoutly Catholic one) rising respectfully when the enter one of the work rooms, kissing their hands as a devotion. (One nun recalls time a prisoner became ill with ber and exclaimed, "I weren't wearing that, I don't know what I'd do to."

Sometimes, the prisoners themselves have long terms and feel they don't want to leave when sentences are up. But the ones go out to rebuild their life with the help of skills they had before.

### Dining Out in London: Chic and Charm and Simple Good Food

By Naomi Barry

LONDON (UPI)—When you are David Niven and the moon is your balloon, you can decide it would be fun to have a restaurant in London and within a few months have it become the bit show in town.

Niven and five friends pooled their chips and settled on the Belgrave section as the hippest neighborhood for chic and charm along with good simple food. The result is Drones, and even if you are an habitual you will probably need a reservation, made a minimum of 24 hours in advance.

It has become an unofficial club for the bright people, at least half of whom seem to know each other. If Drones is a criterion, the young women in London are among the prettiest in the world. Even the mothers who come with their children on a family outing look like main-queens.

The menu never changes except for the single daily specialty. The core is the finest Scottish beef available: the sirloin steak, the smaller-sized saddle steak, the chopped steak. Other meats done on the grill are English lamb cutlets, veal steak, chicken, and calf's liver and bacon. The meats are flavorful and first quality, as promised. The calf's liver is done to pink and juicy perfection, unless you are foolish enough to insist on well-done.

#### Light on Sancers

"People are tired of sauces," says Luis, the Spanish-born manager. Those slim figures in tight pants and battle jackets with fur sleeves (the current uniform)

obviously would not be in Drones if it were not for Hollandaise and Mornay.

If you want a British not choose an appetizer like shrimp or prawn cocktail, are feeling more American, are chefs and chicken, chunks salads. The spinach, bacon salad, in neither an excellent.

The chili has drawn the est praise from visiting. It is served as a main dish half-portion as a side order, or as a T-bone, and there is one chicken with a Cloc Rende 1962.

Drones offers wholesome not haute cuisine. But the is well seasoned and well Niven, whose autobiography Moon's a Balloon was a 10 seller, is a long-time resident St-Jean-Cap Ferret and an ex-erigent French palate.

The decor has a little wrought iron tables are p white. The natural leather armchairs have green cushions. The gleaming walls are decorated with ings of old English pat quilts, surprisingly avant in composition. Green pla milk pails are suspended the skylight in the middle ground floor dining room ground floor is considered desirable but from the p tide of the people, or through, downstairs has regarded as equally desira

On the wall in the ba collection of movie star graphs. These are wor glance: Michele Morgan, first communion dress. Kaye as a youngster, Xumer with hair at the age

(Drones, 1 Pont Street, S.W. 1. Telephone: 235-992 for lunch and dinner, ser a week. Average price: al However, nobody gets a you eat meagerly for £1.

### Around the Paris Galler

Embroidered Hangings in House of Victor Hugo, de Victor Hugo, 6 Pl Vosges, Paris 4, to Feb. This is a temporary e of beaded and emb hangings dated about 17th Victor Hugo integrated elaborate decoration of h on the island of Guernsey, he lived 15 years in exile the reign of Napoleon II have just been restored shortly go back to Hauteville where they belong. Hug man of prodigious activ er, painter and interior d since he designed and executed the fantastic d decoration of his home. Some of this work is o v in Paris. The museum, cludes a large selection wash drawings which permanent display.

Leonora Fini, Art & Valeu Arsene Houssaye, Par Feb. 15.

Countess de Ségur was one of the most priggish spid writers in the 19th gence. Leonora Fini has d illustrate her book "Les Filles Modèles" a man strives towards the p erotic. With a crisp, del economical line she dep pug-nosed little heroines ing in ways that would in prised the countess. The is hardly surprising to e ver; in fact, it is rather able, and on the whole mild.

MICHAEL GIL

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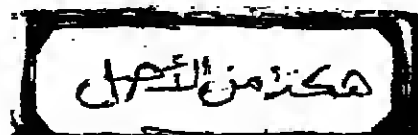
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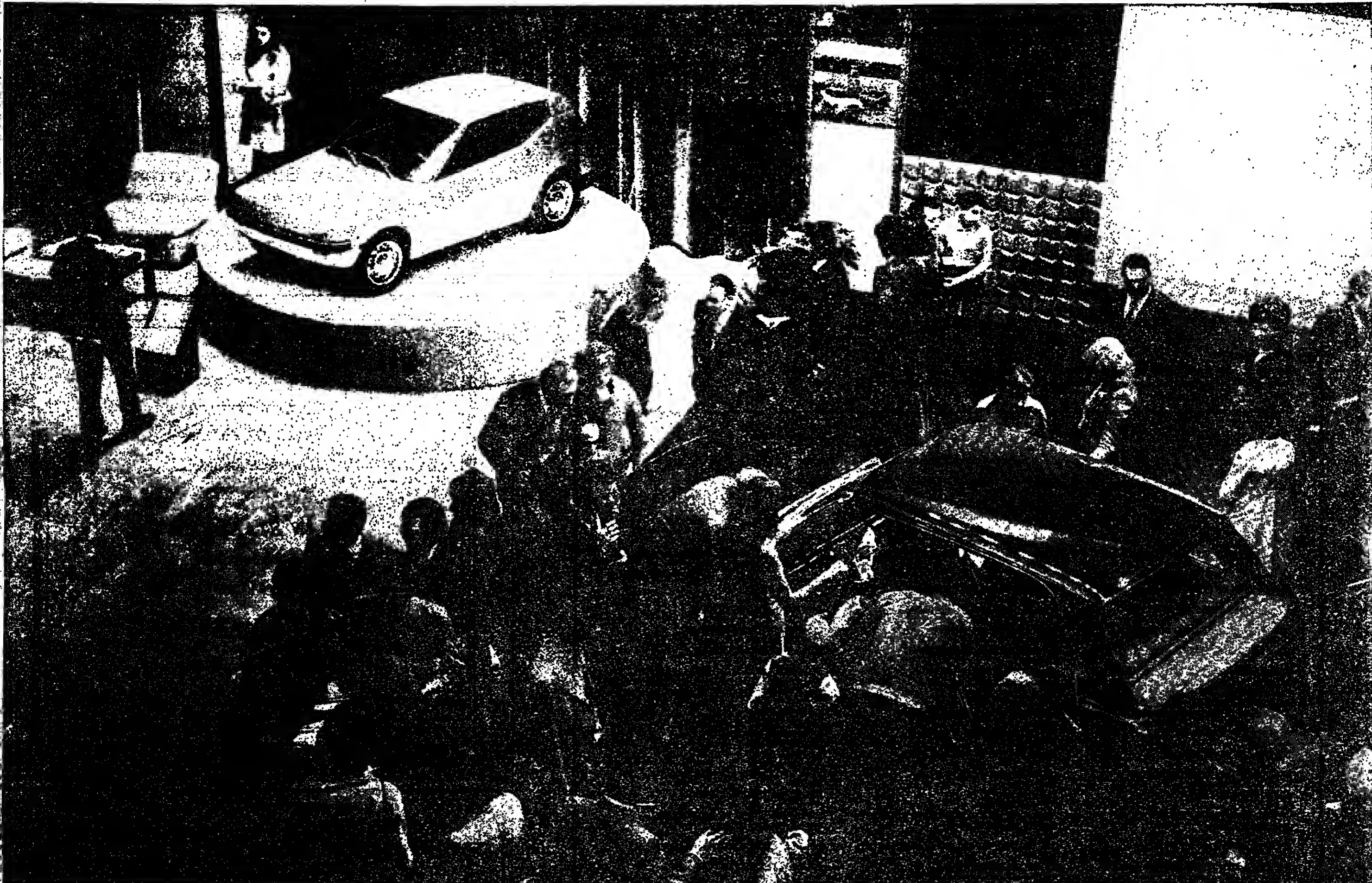
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## Big U.S. Brokers Woo Japanese Investors

By Terry Robards  
NEW YORK, Jan. 1 (AP)—Clear signs are cropping up that Wall Street will make its first significant sales pitch in Japan, where playing the stock market is almost a national pastime.

In response to a relaxation in Japanese foreign investment restrictions, major American brokerage firms are closely scrutinizing the potential there with a view toward establishing branch offices or joint ventures that would enable them to cater to the Japanese enthusiasm for investing.

American mutual-fund organizations already are registering offerings specifically tailored for Japanese investors. The first substantial buying of American stocks by individuals in Japan, in fact, may occur in the next few months through these intermediaries.

In March or April James J. Needham, chairman of the New York Stock Exchange, will undertake an expedition across the Pacific to extol the virtues of American securities. Next month the Pacific Coast Stock Exchange will send a group of its members to Tokyo to study the market there.

Within a few days Richard B. Howland, executive vice-president of Bache & Co., Inc., will travel to the Far East to test the investing waters. Bache is understood to be interested in opening a Tokyo office, although no decision has been made yet.

"We want to get an operation going over there, and we're going to try real hard during the first of the year," said James W. Davant, chairman of Bache, Inc., another big Wall Street house.

"It's one of the most desirable places to go," he added. "We wish we'd done it some time ago."

Mr. Davant said a top officer of Bache, Webber would be dispatched to Tokyo within a month.

Reynolds Securities, Inc., which just announced the acquisition of a European operation, is now considering Japan. "The next logical extension would be to do something in Japan, and we'll take a close look at it," said Robert M. Gardiner, president.

"There are a lot of dollars in Japan," he continued, "and one way to put them to use is to buy American securities." This was a reference to Japan's enormous foreign currency reserves, which are mostly in dollars.

Most knowledgeable American financiers are aware, of course, that it is difficult to do business in Japan without close ties with one of the major Japanese investment houses that tend to exercise control over things.

Thus, it was not surprising that the Dreyfus Fund disclosed last week that it would offer 800,000 shares in Japan in a month or so in a deal with Daiwa Securities, one of Japan's top houses.

Dreyfus has registered the offering with the Finance Ministry in Japan and will make the offering at the prevailing net asset value of the fund, plus sales commissions, when it is marketed.

In a similar effort to woo Japanese investors, Merrill Lynch, Pierce, Fenner & Smith, Inc., announced the formation last week of Fundamerica, a Japanese fund which it described as the first mutual fund established in the United States expressly for sale in Japan.

Its partner in the venture is the Nomura Securities Company, which has been called "the Merrill Lynch of Japan." The new fund will invest primarily in American common stocks, and its objective will be long-term capital appreciation.

New regulations covering foreign investment trusts now permit Japanese individuals and institutions to invest in foreign mutual funds for the first time. Merrill Lynch and Dreyfus are certain to be only the first of many American organizations to offer funds there.

### Alert to Developments

Although Investors Diversified Services, Inc., the largest fund organization in this country, has yet to make a decisive move toward Japan, a spokesman said the other day: "We're alert to developments there and are taking a serious look."

A Canadian fund operation also is jumping into the Asian nation. The Investors Growth Fund of Canada said it would market its shares in Japan through Nikko Securities at about the same time the Dreyfus offering occurs.

Merrill Lynch at present is the only American brokerage concern actually licensed to receive orders directly from Japanese investors, although Burnham & Co., Inc., has operated in Japan through a representative office for years, dispensing mainly research. Baker, Weeks & Co., Inc., has a similar office there.

## More Foreign Investors Seen Buying U.S. Stocks

NEW YORK, Jan. 1 (AP)—Overseas investors are continuing to buy U.S. stocks and probably will do so in increasing numbers this year, according to a panel of securities experts interviewed by Barron's financial weekly.

Their consensus is that the typical European securities portfolio already is about one-third invested in U.S. stocks, substantially higher than in 1971. Still, many European investors are traveling around the United States looking for investment opportunities, and French, West German and Italian bankers reportedly are urging their clients to sell half their European stock holdings and to put the funds into U.S. securities.

Prompting this movement of investment capital, the experts say, is lessening U.S. inflation, which is increasing rapidly in the Common Market and Japan; increasing strength of the dollar, and attractive price levels for U.S. stocks.

Also mentioned in the panel discussion was the lessening threat of liquidation of dollar holdings by foreign central banks. "The threat is still there," one participant in the interview said, "but it's probably not as big as it was" a year ago. "One of the reasons it hasn't taken place is the fact that interest rates in this country have remained relatively stable."

"I see some very compelling reasons for foreign investors to be buying U.S. stocks at this point," one expert said. "The growth in the money supply in a number of the major industrialized foreign countries has averaged something like 17 percent over the last 18 months, which most experts would contend is well in excess of anybody's capacity to produce in real terms. And any measures that would be taken to correct the situation would have to cause some form of economic slowdown, which in turn would affect corporate earnings."

## Record Set for Eurobonds During 1972, Banks Agree

By Carl Gewirtz

PARIS, Jan. 1 (AP)—While none of the banks who keep score agree about exactly how much business was generated on the Eurobond market last year, there is no question but that 1972 was by far the biggest year yet.

The latest to weigh in with year-end statistics is White, Weld & Co., which reports total international bond offerings amounted to the equivalent of \$5.663 billion.

While the figures differ from those of Kreditbank Luxembourg, for example, which has reported a 1972 record of \$5 billion, the two banks agree that there was a massive gain over 1971.

White, Weld reports a 55 percent gain from the \$3.64 billion of 1971, while Kreditbank has called it a 49 percent gain. Much of the difference is due to the fact that White, Weld includes certificates of deposit and Dutch guilders issues whereas Kreditbank does not.

While the numbers may vary, the trends that emerge from the statistics are the same. Thus, White,

Weld shows that dollar issues predominated last year, amounting to \$2.29 billion, or 58 percent of the total compared to 60 percent in 1971.

The leading managers and co-managers of internationally syndicated bonds this year (with each manager getting full credit for each issue) on the White, Weld list show this order:

Rank	Bank	(1971) Issues million	No. Value \$
1.	Deutsche Bank	111	51 \$1,542.4
2.	Union Bank Switz.	107	46 1,190.
3.	Paribas	93	40 1,044.
4.	White, Weld	85	40 931.
5.	Warburg	84	38 896.
6.	R. M. Rothschild	81	31 877.
7.	Kreditbank	71	27 857.
8.	S. O. Halland	177	25 823.
9.	Dresdner	152	27 766.
10.	C. C. de France	141	23 677.

However, getting credit just for the issues managed, the White, Weld study shows:

Rank	Bank	Value million	No. Issues
1.	Deutsche	512.9	17
2.	White, Weld	486.1	13
3.	Morgan & Co.	254.2	9
4.	Kuhn, Loeb	245.	8
5.	W. Deutsche	240.3	8
6.	Dresdner	224.3	8
7.	Amro	202.4	12
8.	Kreditbank	199.8	8
9.	Warburg	155.	7

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# U.S. Economy Is Expected to Reach Its Full Output Potential This Year

By H. Erich Heinemann  
NEW YORK, Jan. 1 (NYT)—The United States economy is going forward into 1973 under full steam.

After two full years of business expansion, there is every indication that the pace of economic growth—far from slowing down—actually is accelerating.

According to Albert T. Somers, chief economist of the Conference Board, the economy currently is at the "hot center" of the business cycle expansion that "the time being it is difficult to find even small strains of the cyclical wind that suggest a slowing down of the growth

rate in the near future." The Conference Board is a nonprofit business-sponsored research organization.

Some time during 1973, in the view of most private business forecasters, the gap between the economy's actual output and its long-term potential—which opened wide during the 1970 recession—should for all practical purposes be closed.

The major policy challenge facing President Nixon's team of economic managers in the new year, analysts are saying, will be to guide the nation's surging economic machine back into the zone of full employment without overshooting the target and generating a new round of inflation.

As Norman Robertson, the chief economist of the Mellon Bank in Pittsburgh, put it not long ago: "The time for a cautious and careful application of the economic brakes may soon be at hand."

This will not be an easy job. Forecasters are unanimous in predicting that 1973 will be another bumper year for the American economy—that the gain of roughly \$100 billion in gross national product that is now on the books for 1972 will be followed back-to-back by an increase on the order of \$110 billion in 1973.

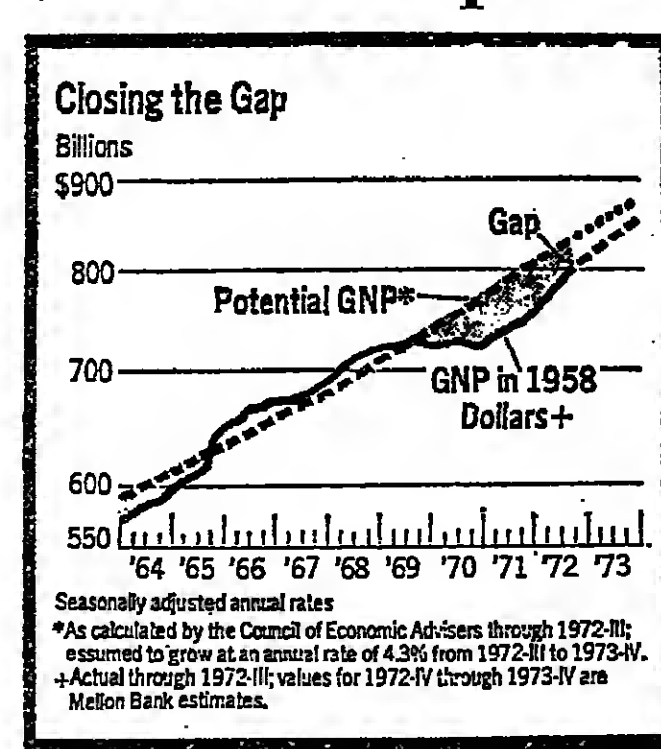
To put these figures in perspective, simply the growth in output in the United States during 1972 and 1973 will far exceed the total production of all but a handful of nations in the world.

In relative terms, too, the 1973 economy—measured both in current dollars, which reflect rising prices, and constant 1958 dollars, which do not—is expected to be remarkably similar to the exceptionally strong 1972 performance.

Predictions Masked

But the year-to-year comparison of the annual average of total output of goods and services—which is what is involved in projecting a gain of \$110 billion for the new year—masks a great deal of what the forecasters are predicting about the 1973 economy.

Frederick W. Deming, senior economist at the Chemical Bank in New York, voiced a typical view last week when he predicted that the economy next year would show "a continuation of an orderly and satisfactory business upswing, with no re-emergence of serious inflationary problems."



the data for September and October underscore the acceleration."

New orders for durable goods were up sharply in November, Townsend-Greenspan said in a recent letter to its clients, and this contributed to a pattern of "hardening" in the business recovery that is now starting to trigger demands for additional inventories.

Indeed, inventory accumulation, according to the concern, should run at an annual rate of \$10 billion in the fourth quarter and rise to \$15 billion by the second quarter of 1973. This contrasts with an inventory gain of only \$400 million in the first quarter of 1972, \$5 billion in the second quarter and \$8 billion in the third quarter.

Some analysts—notably Saul B. Klamman, chief economist of the National Association of Mutual Savings Banks, and the Wharton Econometric Forecasting Associates at the University of Pennsylvania—are deeply concerned that consumer confidence could suffer seriously should the current increase in the Vietnam peace negotiations prove to be more than temporary.

According to Lawrence R. Klein, George R. Green and F. Gordon Adams at the Wharton School, "Consumers hold the key to the next major thrust of this expansionary economy. If they

Whether or not the economy is now close to the practical ceiling of its capacity, the source of strength in the economy are not hard to find. According to Townsend-Greenspan & Co. Inc., a widely-respected economic consulting concern, not only was industrial production strong during November but also "additional, and extensive, upward revisions in

ber averaged \$2.5 percent in the manufacturing, mining and utility industries, McGraw-Hill said. It was the fourth consecutive month in which the estimated operating rate had jumped by one-half percentage point.

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**Markets Closed**

Stock markets, commodity markets and currency exchanges were closed Jan. 1 in most U.S. and European centers.

**Strikes Cost Italy 73 Million Hours**

ROME, Jan. 1 (UPI)—The Italian economy lost 73,700,000 manhours of work in the first 10 months of 1972 because of strikes, the Central Institute of Statistics announced.

It represented a 12 percent decline from the same period in 1971. The Institute said that minimum salaries and wages in November showed increases of 1.8 percent in a year for civil servants, 21 percent for farm workers and 11.5 percent for factory workers.

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Mr. Deming added this caveat: "A moderate slowing of the pace of advance as the year proceeds is both likely and appropriate."

Michael K. Evans of Chase Econometric Associates in Bala Cynwyd, Pa., who uses a large-scale mathematical model of the economy in his forecasting, believes that the fast-slow pattern of the economy in 1973 will be much more pronounced.

"Most people are predicting," he said in a letter to his clients last week, "an even-tempered but unspectacular growth throughout 1973. On the other hand, he added, "we are predicting a very rapid first half of the year and a very much slower second half."

**Record of Accuracy**

Assuming that this forecast is close to the mark—and Chase Econometric has had a remarkably accurate track record in its forecasting during the last few years—then the dimensions of the policy problem begin to emerge.

Put simply, these are to apply just enough economic braking to prevent the business expansion during the next six months from turning into a runaway boom (which would greatly increase the risk of an eventual slowdown and recession in 1974 or 1975) but not so much as to accelerate the expected second-half slowdown and abort the economic recovery prematurely.

Indeed, it is fair to say that—given the long and variable lag between economic policy actions and their impact on the real world of production, jobs, incomes and prices—what the government has already done will have a great deal to do with the shape of the 1973 economy.

President Nixon has already clamped a tight lid on federal spending in an attempt to hold Washington's total outlays to \$250 billion in the current fiscal year. Achieving this target would still leave a substantial amount of red ink on the government's books. But—since the economy is at this time still running below capacity—the resulting deficit need not lead to new inflation.

**Slow to React**

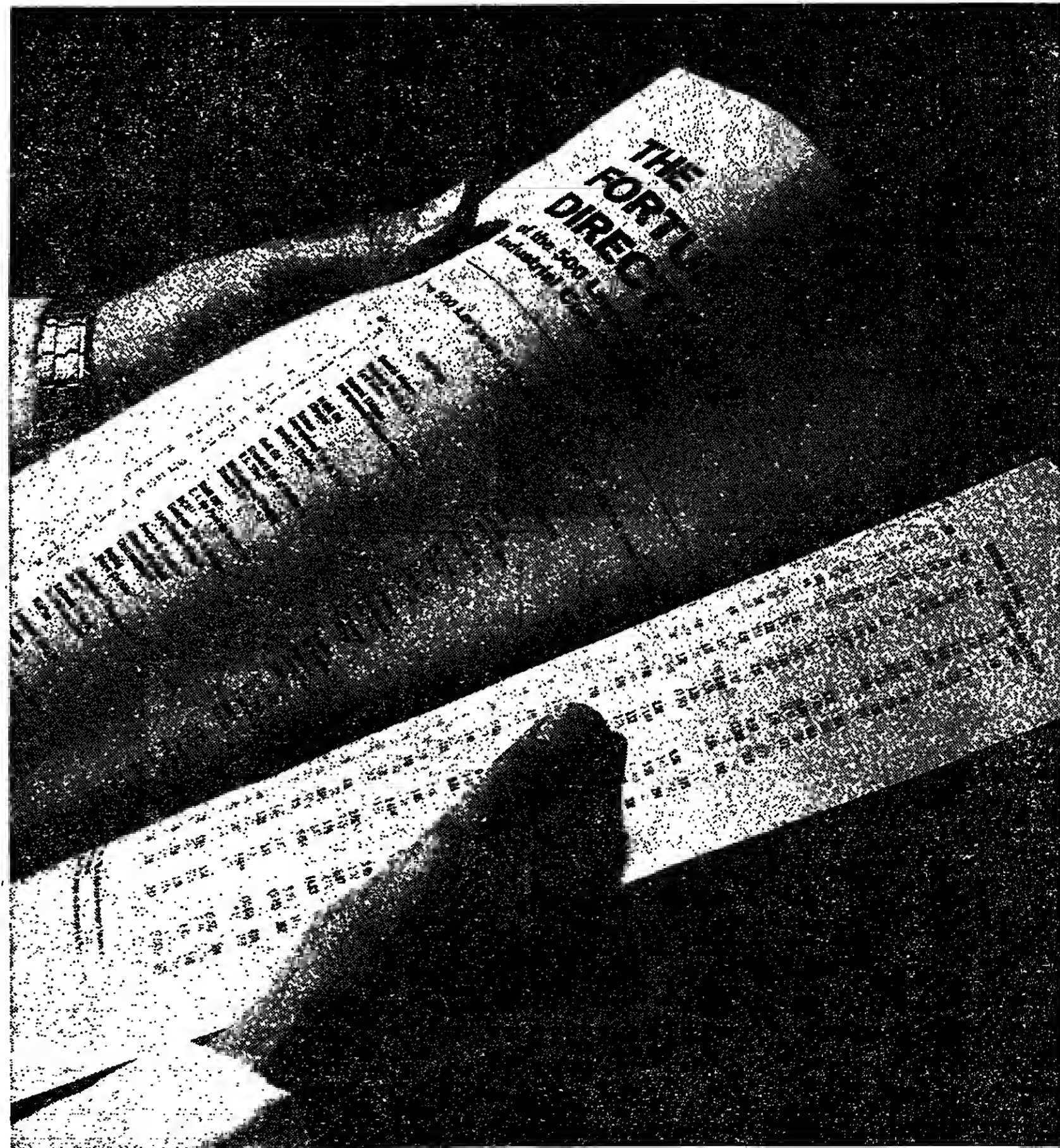
By contrast, recent evidence suggests that the semi-independent Federal Reserve System, which has the crucial task of managing the nation's money supply, has been slow to react to the gathering strength in the economy.

True, the money managers as far back as last summer indicated their desire to slow the rate of growth in the supply of money—a total that many economists believe has a key influence on the future course of overall business activity.

The central bank's good intentions notwithstanding, however, it appears to have closed the books on 1972 with a rate of growth in money that is high by historical standards. This should give added upward thrust to the economy in 1973.

As the Federal Reserve Bank of St. Louis noted last week, "monetary growth has been rapid during 1972," with the money supply (most checking accounts at the banks plus currency in the hands of the public) expanding at a 7.4 percent annual rate. By contrast, money grew at a 5.9 percent annual rate during the five years ended with 1971.

In the last few months, short-term interest rates have in fact



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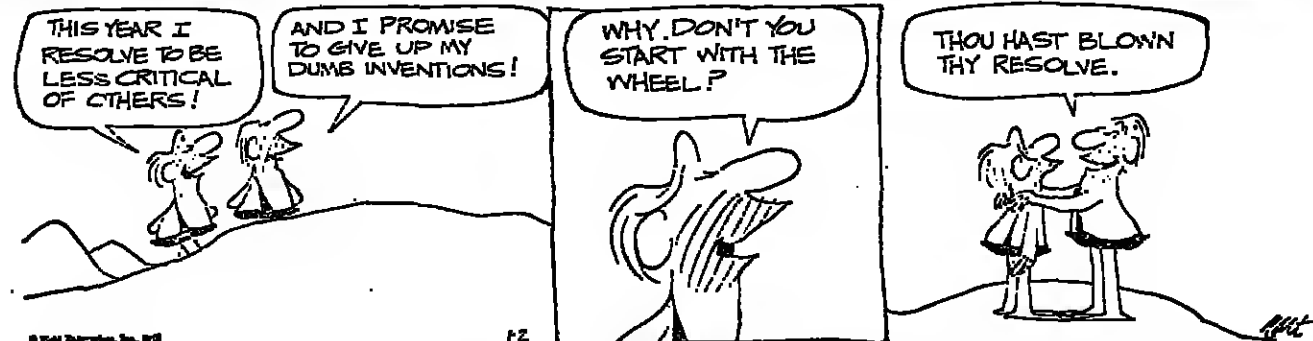
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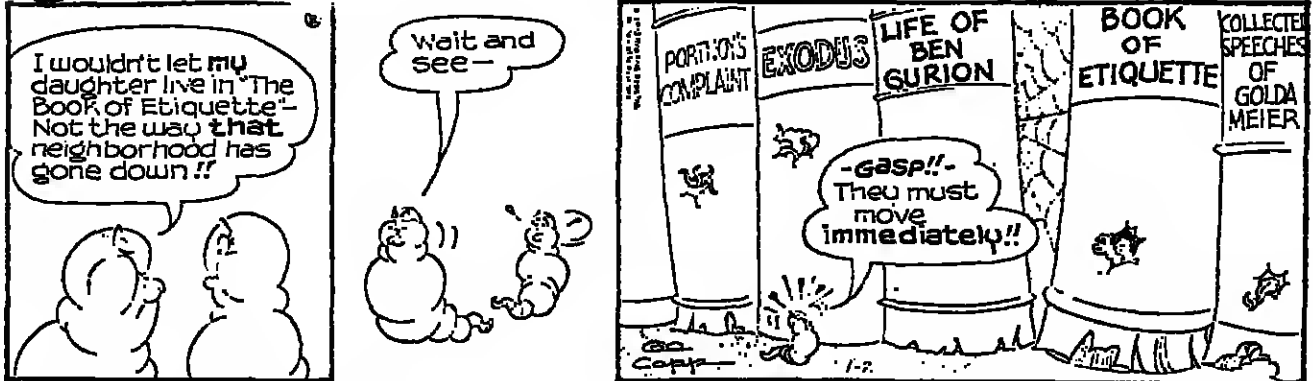
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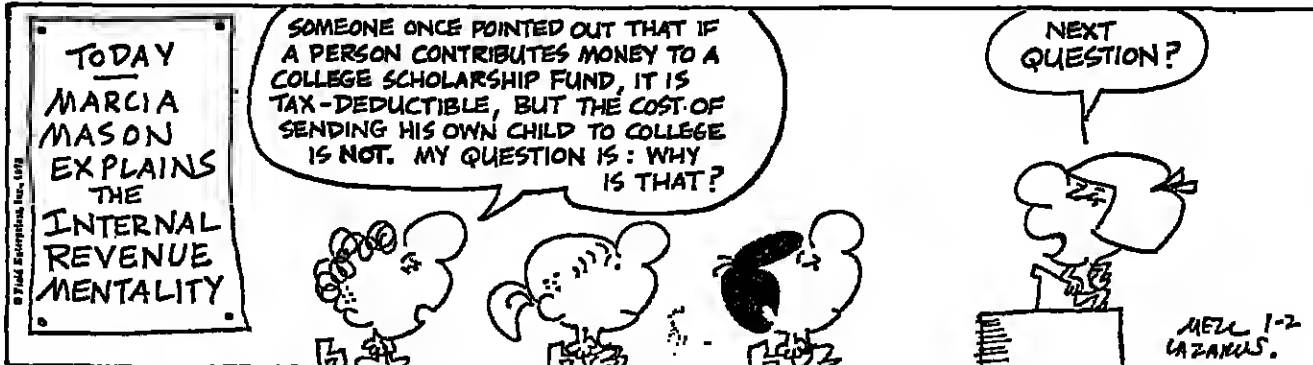
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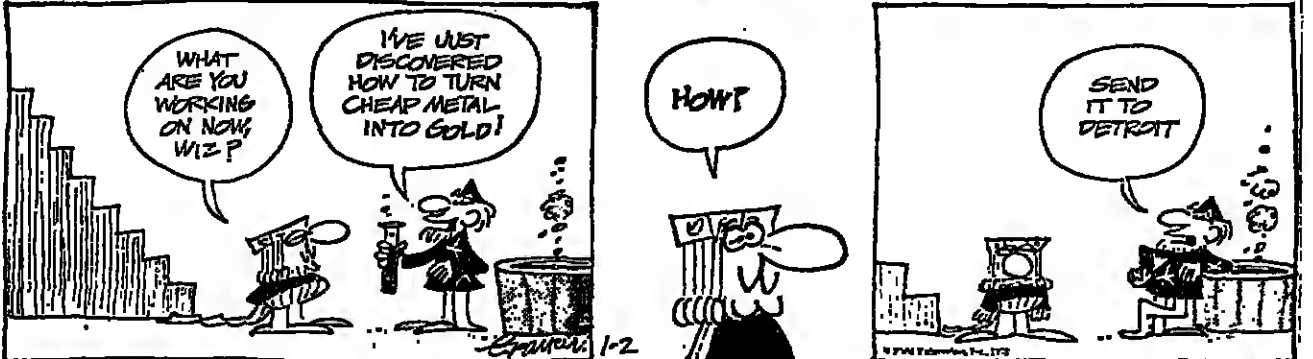
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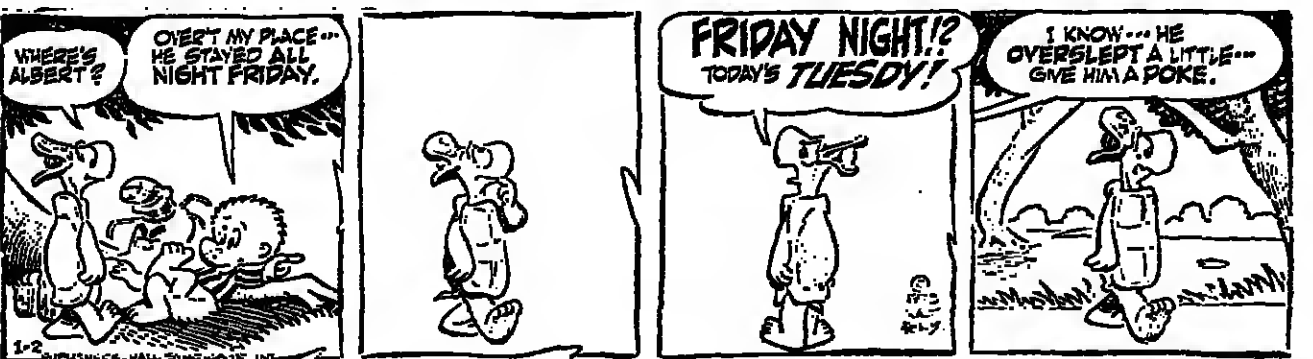
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POGO



RIP KIRBY



BLONDIE



BRIDGE

By Alan Truscott

The pros and cons of preemptive bidding can be argued interminably. Those who prefer a gentle approach on freakish hands claim, correctly up to a point, that they can locate the best contract more easily than the preemptive bidder, especially if a slam is a possibility.

The aggressive characters who bounce the bidding to a high level as quickly as possible can retort that they not only effectively sabotage the opponents' bidding efforts but also add to the problems of the defense, especially in finding the right opening lead.

Both sides can find ammunition on the diagrammed deal, on which South might open one club or five clubs. South selected one club.

North responded one heart (some would prefer one diamond) and South jumped to three clubs, which should have produced a three no-trump bid from South to reach an impregnable contract. However, South was not accustomed to playing no-trump with 8-4-1-0 distribution and jumped to five clubs. It seemed likely to him that the dummy would have not more than a doubleton spade, but he was disappointed.

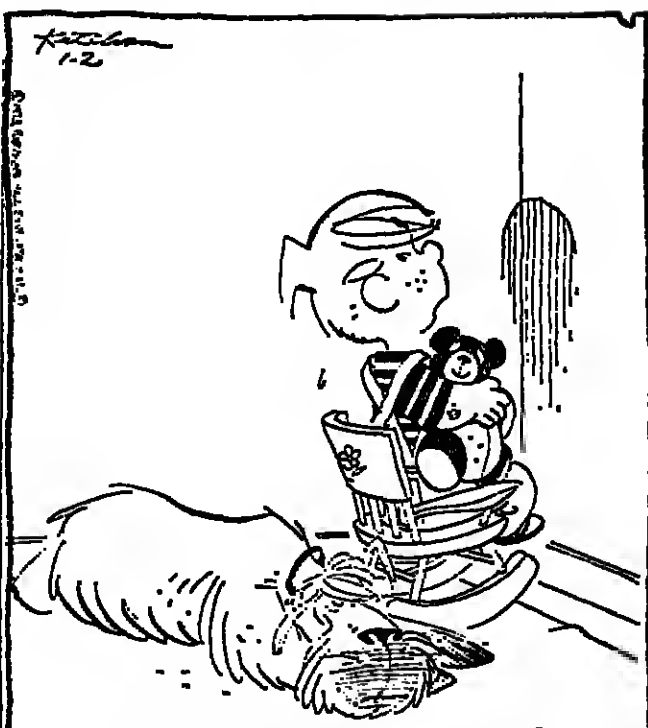
Although South has three top losers in spades, it is far from easy for the defense to take three tricks. West led the spade four, guided by the fact that North-South appeared to be avoiding three no-trump because of a spade weakness.

East won with the spade ace and returned the queen. After some thought, West overtook with the king and returned a spade, allowing East to ruff and defeat the contract. West had spotted a clue that would only apply with expert defenders: He knew that East would have returned a low spade from A Q x, so the overtake play could do no harm. East must have started with the jack or a doubleton. Those who would favor an opening five-club bid on the South hand can point out that West would have no clue to the winning opening lead. He would make the normal lead of the diamond king, after which 11 tricks are secure.

NORTH		EAST	
♠ 10 9 8 7 6 5 4 3 2	♠ A Q	♠ A Q	♠ A Q
♥ K 7 6 5 4 3 2	♥ J 8 3	♥ J 8 3	♥ J 8 3
♦ K Q 5 4	♦ A J 10 6	♦ A J 10 6	♦ A J 10 6
♣ —	♣ —	♣ —	♣ —
SOUTH (D)		WEST	
♠ —	♠ —	♠ —	♠ —
♥ —	♥ —	♥ —	♥ —
♦ —	♦ —	♦ —	♦ —
♣ —	♣ —	♣ —	♣ —

Both sides were vulnerable. The bidding: South West North East 1 ♣ Pass 1 ♥ Pass 2 ♣ Pass 3 ♣ Pass 4 ♣ Pass 5 ♣ Pass 6 ♣ Pass 7 ♣ Pass 8 ♣ Pass 9 ♣ Pass 10 ♣ Pass 11 ♣ Pass 12 ♣ Pass 13 ♣ Pass 14 ♣ Pass 15 ♣ Pass 16 ♣ Pass 17 ♣ Pass 18 ♣ Pass 19 ♣ Pass 20 ♣ Pass 21 ♣ Pass 22 ♣ Pass 23 ♣ Pass 24 ♣ Pass 25 ♣ Pass 26 ♣ Pass 27 ♣ Pass 28 ♣ Pass 29 ♣ Pass 30 ♣ Pass 31 ♣ Pass 32 ♣ Pass 33 ♣ Pass 34 ♣ Pass 35 ♣ Pass 36 ♣ Pass 37 ♣ Pass 38 ♣ Pass 39 ♣ Pass 40 ♣ Pass 41 ♣ Pass 42 ♣ Pass 43 ♣ Pass 44 ♣ Pass 45 ♣ Pass 46 ♣ Pass 47 ♣ Pass 48 ♣ Pass 49 ♣ Pass 50 ♣ Pass 51 ♣ Pass 52 ♣ Pass 53 ♣ Pass 54 ♣ Pass 55 ♣ Pass 56 ♣ Pass 57 ♣ Pass 58 ♣ Pass 59 ♣ Pass 60 ♣ Pass 61 ♣ Pass 62 ♣ Pass 63 ♣ Pass 64 ♣ Pass 65 ♣ Pass 66 ♣ Pass 67 ♣ Pass 68 ♣ Pass 69 ♣ Pass 70 ♣ Pass 71 ♣ Pass 72 ♣ Pass 73 ♣ Pass 74 ♣ Pass 75 ♣ Pass 76 ♣ Pass 77 ♣ Pass 78 ♣ Pass 79 ♣ Pass 80 ♣ Pass 81 ♣ Pass 82 ♣ Pass 83 ♣ Pass 84 ♣ Pass 85 ♣ Pass 86 ♣ Pass 87 ♣ Pass 88 ♣ Pass 89 ♣ Pass 90 ♣ Pass 91 ♣ Pass 92 ♣ Pass 93 ♣ Pass 94 ♣ Pass 95 ♣ Pass 96 ♣ Pass 97 ♣ Pass 98 ♣ Pass 99 ♣ Pass 100 ♣ Pass

DENNIS THE MENACE



JUMBLE—That scrambled word game

Unscramble these four Jumbles, one letter to each square, to form four ordinary words.

NUCEL

IDLAY

JURNY

MOOBA

AN

Now arrange the circled letters to form the surprise answer, as suggested by the above cartoon.

(Answers tomorrow)

Yesterday's Jumble: LILAC THICK BAKERY FAUCET

Answers: There's a catch to this one!—A LATCH

BOOKS

HOW TO READ A BOOK  
Revised and updated edition.  
By Mortimer J. Adler and Charles Van Doren. Simon & Schuster. 426 pp. \$8.95.

Reviewed by Christopher Lehmann-Haupt

I HAD it in mind to amuse you today. What I was going to do was this. Having never actually read the original (1940) edition of Mortimer J. Adler's "How to Read a Book," but having nonetheless been steeped most of my life in regent ridicule of its premises, I thought I'd use the occasion of the book's publication in a revised and updated edition to serve up something appropriate to the season's gaiety—something on the order of the parody, "How to Read Two Books," that was written years ago in response to the original version of Dr. Adler's brainchild; and something, too, that would get me revenge for all those glossy mailing pieces proffering the Synopticon and "Great Books of the Western World," with which Dr. Adler has been cluttering my mailboxes these many years.

And God knows, it would have been easy enough to do, judging from a reading of both the old edition and the new, the latter having been written with the help of Charles Van Doren, Dr. Adler's associate at the Institute for Philosophical Research, in Chicago. Such ponderous explanations! ("You have a mind... There is a book or other reading matter, and here is your mind. What is the first thing you do?") So many rules and steps to learn! Why, I could take off from the author's analogy of reading to skiing—in which he argues that what is simple and fluid for experts requires painfully complicated baby steps for beginners—and describe how I, a slalom champion when I began to read "How to Read a Book," could scarcely stand up when I had finished.

And as for their term "synoptical reading," which has been incorporated into the new edition as a designation for the highest level of reading (and, not incidentally, as a plug for the Synopticon, which, in case you've never received any of those mailing pieces, is a topical index of "Great Books of the Western World"); it may be a useful phrase to them, describing the technique for reading "two or more books on the same subject" (from the Greek *syn*, meaning "with" or "together," and *opsis*, meaning "place"); but to me it's a perfectly apt term, replete with overtones of gimmickry and pseudoerudition; and I'd have gladly spent this column telling you how I have trained myself over the years to think of a Synopticon as a sort of Brancusi-like figure smelling of old rabbit fur and mothballs, which might be found in a display case on the lower level of Grand Central Terminal.

But, unforgotten for me and the holiday season, this sort of meretricious really won't do, because the truth is that "How to Read a Book," especially in its revised form, is both a far better book and a far worse one than I had been led to expect. And all I'd accomplish by making sport of it would be to hide the fact that I can't make up my mind whether to praise it or damn it.

I really can't. If it is true, as Adler and Van Doren claim and as I have no reason to doubt, that

the majority of Americans who attended college and high school, don't know how to read beyond the level that is supposed to be reached in grade school, then how can I ridicule a book that is so full of good advice how to surpass this level? Can I dismiss a work that explains how to do "Inexpensive Reading" or skimming (the second level of reading), to read analytically (that's third), and how to read paratively (or synoptically, prefer; the fourth level, peculiarly when it has taken years of intensive practice to learn the same lesson, even if, lately, when so many educated people I've talked seem so hungry for advice on how to read books more quickly efficiently?

How can I make light of a book that not only explodes the reading myth—that notion of an absolute increase in the bar of words one devours in a glance is the secret to reading faster—but also explains how to read faster by reading slow a manner of speaking? And the way, the revised edition great improvement over the original, in slight part because it's simply updated in its ences; in large part because gets away from the insipidly of the original, and its italicized tone of the original. But, on the other hand, if some for theory's sake that I mastered the practical art of reading, how can I take a book that is so abysmally retrograde in its appreciation of modern fiction (the criteria of excellence leaves room for any novel written "Was an English? How a reconcile the authors' sense of 'synoptical' reading against those critics who claimed that all masterpieces should be treated as unique unto themselves) with the overwhelming impression one gets in their zeal to promote the works of the Western world, Adler and Mr. Van Doren I cannot Western culture, put it, and belted it into the same mask? Is it really how to have a serious commitment reading on the author's alleged trivial argument that the reason for learning to read properly is to "stretch" the mind make it "grow," as if the were nothing more than a machine between one's ears?

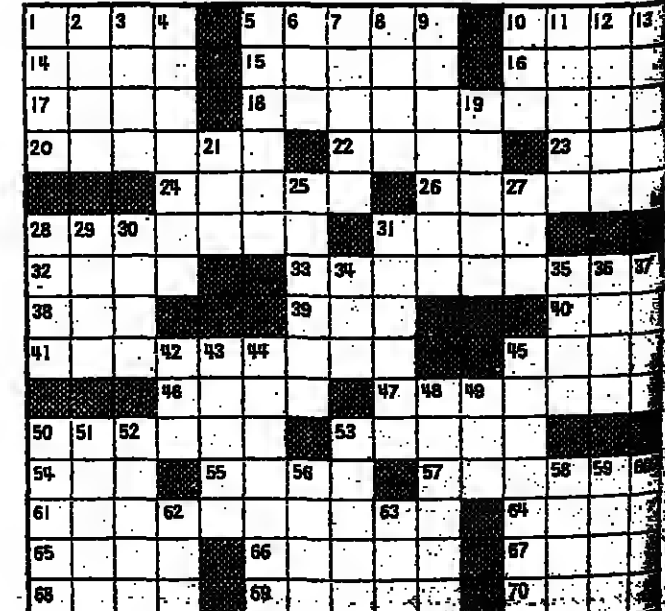
Well, I guess my final advice, this. If you are at all worried about your ability to find your way around and through books, you can't tell the difference between trash and truth except by reading a book one word at a time, then read "How to Read a Book." But the moment you suspect you are getting the idea drop this book down the incinerator, throw it on the compost heap get rid of it; then fumigate the premises and start reading as you please.

Mr. Lehmann-Haupt is a reviewer for The New York Times.

CROSSWORD

By Will W.

ACROSS					
1	See 33 Across	50	New York city	25	Bear, as expenses
5	Disgusted	53	"A Dandy in"	27	Sparks of the movies
10	Rizzuto or Foster	54	Recent Prefix	28	Big Ben sound
14	Sounds of laughter	55	Corrupt	29	Hebrew ancestor
15	Idolize	61	Some orators	30	Word with mash or key
16	Pro—publico	63	News filler	31	Fishes in a way
17	"I vote"	65	Sway group	34	"for the"
18	Mad dogs' militia	66	Snow: Sp.	35	Lamps of China
20	Violin-string base	67	"Nobody Knows My"	36	Food store, for short
22	Berliner's negative	68	Elbe tributary	37	"The Razor's"
23	Before	69	Paris depots	38	Kind of beer or miss
24	Summery topic	70	Drug plant	39	44 Panay native
26	Hot coal			40	Tussled
28	Clearing fluid			41	Spider's act
31	Durable			42	See 41 Across
32	Hautboy			43	Poetic forms
33	Part of Peking, with 1 Across			44	Small islet
34	Double			45	Chou
38	Word with hair or fish			46	M. Bloy and M. Blum
39	Copa's city			47	Cassino
40	Dutch town			48	Northern tree
41	Asian wonder, with 45 Down			49	Dolphin of the Amazon
45	Girl's name in Moscow			50	Latin catch
46	"also serve..."			51	Duck
47	Like some lettuce heads			52	Civil War initials
				53	"The" of St. Agnes"





# Texas Defeats Alabama, 17-13, In Cotton Bowl

DALLAS, Jan. 1 (UPI).—Quarterback Alan Lowry scored on two runs of 8 and 34 yards in the second half today to bring Texas back behind and give it a 17-13 victory over Alabama in the Cotton Bowl.

Lowry's second touchdown run came with 4:32 left to play. Randy Braband, who anchored Texas defense, wrapped up victory by stopping Alabama's back Wilbur Jackson on a 17-yard down and one situation at midfield with two minutes left.

Lowry finished the day with carries for 118 yards. Fullback David Leaks, knocked senseless by Wilbur Jackson on a 17-yard down and one situation at midfield with two minutes left.

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## Oklahoma on Top, 14-0

By Gordon S. White Jr.

NEW ORLEANS, Jan. 1 (NYT).—defensive battle in the 39th annual Sugar Bowl was settled early by a freshman wide receiver, Tinker Owens, who hit a touchdown pass and set another score as Oklahoma edged Penn State, 14-0.

The Sooners ranked second nationally, now the out-of-the Rose Bowl game, who State can defeat South-Carolina, ranked No. 1, Alabama will "scream for a title" according to its coach, Hank Stram.

Owens, 17, who stands just over 6 feet tall and weighs 160 pounds, was named the game's leading player and became the first freshman to win that honor.

His brother, Steve, was Oklahoma's star halfback last season.

Best Runner Slick

Lowry was forced to play out his leading ground game, Cappelletti, who gained 17 yards in the regular season, was suffering from an attack of the flu and remained in his room with a temperature about 102 degrees.

Lowry counted on Capital all season. He picked up



Tinker Owens

## Newcombe, Mrs. Court Win Tennis Finals in Australia

ELBOURNE, Jan. 1 (Reuters).—Former Wimbledon champion John Newcombe won the Australian Open tennis championship for the first time in beating Tony Trabert of New Zealand, 6-3, 6-7, 7-5, 6-1.

The women's singles final, Margaret Court won for the 11th time by beating Evonne Cawley, 6-4, in an all-Australian match.

Newcombe won the title but

## Smith Is Named Best in Tennis

PARIS, Jan. 1 (Reuters).—The 1972 French sports daily named Stan Smith of the United States the best tennis player of 1972 in a ranking list issued today.

Smith earned his ranking for winning Wimbledon, for being named architect of the U.S. Davis Cup success and for winning nine championships, she said.

## Clemente: The Player, the Man

From Wire Dispatches

NEW YORK, Jan. 1.—When Roberto Clemente collected his 3,000th major league hit last Sept. 30 at Pittsburgh's Three Rivers Stadium, the crowd of 13,117 gave him a standing ovation, and the game was stopped while he was awarded the baseball.



Roberto Clemente

"I give this hit to the fans of Pittsburgh and to the people of Puerto Rico," Clemente said.

The homage to his native Puerto Rico was typical of the 38-year-old Clemente, who was killed late yesterday in the crash of a relief plane bound for Nicaragua.

And the devotion was returned in Puerto Rico where, a few years ago, Clemente was urged by residents of his hometown, Carolina, to run for mayor. He declined, saying that he did not want to enter politics.

But he remained active in public life as when he set up a committee to gather aid for the victims of the Dec. 23 earthquake in Managua. The committee collected money, food and clothing and Clemente was helping take some of this to Nicaragua when his plane crashed.

18 Big League Seasons

During his 18 seasons with the Pittsburgh Pirates in the National League, he won four batting titles and 13 times hit over .300.

He was the National League's most valuable player in 1966, and was selected to the league's all-star team 12 times.

It was not only at bat that Clemente shone. He ranked as one of the best defensive right fielders, with an exceptional strong throwing arm. Five times he led the league in assists for

outfielders, to tie a major league record.

Despite his brilliance at bat and in the field, Clemente often felt that he was not given the recognition due him. He made his feelings public following the 1971 World Series, which he dominated.

Pittsburgh took the series, 4-3, from the Baltimore Orioles. Clemente batted .414 with 12 hits (at least one in each of the seven games) in 28 at-bats. He hit two home runs, one in the seventh and decisive game, a 2-1 triumph for the Pirates.

As the Pittsburgh manager, Bill Virdon, said today: "I don't know how you can think of baseball in Pittsburgh without Roberto Clemente."

Virdon's friendship with Clemente dated back to 1956, when the Pirates bought Virdon from the St. Louis Cardinals to play center field. Clemente had been drafted from the Brooklyn

Dodger farm system for \$4,000 in 1954 and was in right field. The two played together for 10 years before Virdon became a coach for the Pirates and, last year, their manager.

"I don't think there's been anyone better in baseball," Virdon said. "He could play every phase of the game excellently. I've never seen anybody that could play the game as he has during the last three years."

"He Was the Greatest"

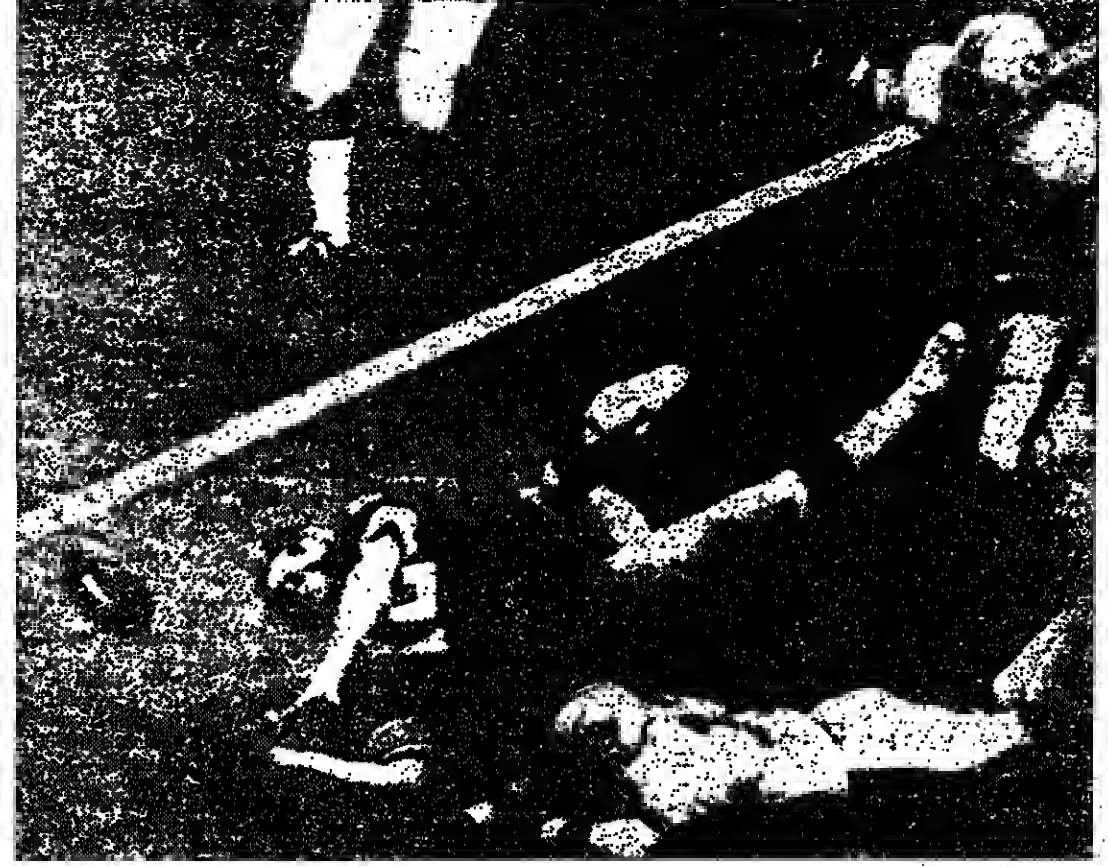
"He was the greatest all-around baseball player I ever saw," Virdon said. "He could do more things than anybody I've ever seen. He loved baseball, baseball was his life. He gave much more to baseball than he took away from it no matter how much money he made."

"It was typical" of him, Virdon said about Clemente's mission to Nicaragua. "He made it a point to go entirely out of his way to help others. He was a very warm, friendly, happy and willing person, someone who always was willing to help somebody in need."

Virdon's reaction was echoed by Danny Murtaugh, who managed the Pirates for 11 of Clemente's 18 seasons.

"I've often said he was the greatest ballplayer I have ever seen," Murtaugh said. "I think it was typical of Roberto—a man who gave so much of himself to become an outstanding athlete—to give all of himself in an effort to help others less fortunate than himself."

"It was quite an honor to manage in the major leagues, but it was a double honor to manage a superstar like Roberto—and he was a superstar. He made his mark not only on baseball but on everyone he touched."



INTO THE END ZONE—Pittsburgh quarterback Terry Bradshaw fumbles into the Miami end zone after Jake Scott hit him hard on a sweep. Steelers recovered for a touchdown.

## 'Over-the-Hill Gang' Romps to Super Bowl

WASHINGTON, Jan. 1 (NYT).—"Hail to the Redskins" has replaced "Hail to the Chief" as the theme song of the nation's capital.

In a 26-3 victory generated by two touchdown passes from Billy Kilmer to Charley Taylor and four field goals by Kurt Knight, the Redskins made it perfectly clear yesterday that they belonged in the Super Bowl game by defeating the Dallas Cowboys as champions.

And so George Allen, who obtained several "ing and casting" players in assembling his "Over-the-Hill Gang" here, will return to Los Angeles, where he was discharged as coach of the Rams two years ago—to oppose the Miami Dolphins in the Super Bowl game Jan. 14.

For the Redskins, the National Football League is the first in 30 years. They won the 1942 championship here, 14-6, over the Chicago Bears at Griffith Stadium, now gone.

The long wait influenced the emotional outburst at Robert F. Kennedy Stadium by Redskins loyalists among the 53,129 spectators. At the final gun, firecrackers exploded as the 12-piece Redskins band struck up "Hail to the Redskins," accompanied by its chorus of 70 and its 40 dancers, as the crowd serenaded Allen's team.

"We've got a bunch of guys people wrote off as too old, too slow and too heavy," Allen said, smiling. "Nobody wanted 'em."

One of those nobody else wanted was Kilmer, the quarterback whom Allen acquired from the New Orleans Saints in his first deal. Taylor, the experienced wide receiver, described Kilmer as a "great picker," meaning his ability to probe a weakness. That weakness on the Cowboys was Charlie Waters, the left cornerback.

"We thought we could go there," Allen said. "I think Kilmer's bomb to Charley Taylor was our big play."

Allen was referring to a long pass in the second quarter in which Taylor outran Waters for a 61-yard gain to the Cowboys' 22-yard line. Not long after that, Taylor eluded Waters on a slant-in pattern to break open for a 15-yard touchdown pass.

Moments after the fourth quarter began, Taylor avoided D. D. Lewis, a Cowboy linebacker, and outran Waters' replacement, Mark Washington, to catch another 61-yard pass at the goal line for a 45-yard touchdown.

Kilmer, now 32 and in the 11th season of an itinerant and inauspicious career until now, completed 14 of 18 passes for 194 yards, with Taylor catching seven for 148 yards.

Larry Brown, the conference's rushing leader during the season, maintained the Redskins' running attack with 88 yards in 30 carries.

Including the two touchdown passes, Taylor and Roy Jefferson caught nine passes for 155 yards in the area covered by the Cowboys' left cornerback—five for 105 yards against Waters, four for 60 yards against Washington.

Except for one play when Waters was sidelined with a pinched nerve, Landry kept him at left cornerback until the third-year defensive back from Clemson broke his left arm while returning a punt.

On the Redskins' next series, Taylor exploited Washington's third-year defender, for the clinching touchdown. It provided the Redskins with a 17-3 lead. Then Knight, who had kicked an 18-yard field goal to open the scoring in the second quarter, added field goals of 39, 46 and 45 yards to complete the massacre.

Allen said he would celebrate the victory with his family at a New Year's Eve party.

"And we're going to drink a bottle of Pol Roger" champagne, Allen said. "That's the wine Churchill used to drink, you know. I don't know how old the bottle is, but it's really old."

## Congratulations From a Rooter

WASHINGTON, Jan. 1 (AP).—President Nixon held a victory celebration at the White House today for George Allen, coach of the Washington Redskins.

The President, chatting with Allen and members of his family, made no secret of which team he will root for when the Redskins meet the Miami Dolphins in the Super Bowl on Jan. 14.

The President told Allen he has great respect for the Dolphins' coach, Don Shula, but added:

"I always root for the home team and my home now is Washington."

## Dolphins Extend Their Streak By Noticing the Little Things

By William N. Wallace

PITTSBURGH, Jan. 1 (NYT).—The Miami Dolphins pay attention and that is one reason why no one has beaten them yet. Yesterday, their punter, Larry Seiple, noticed that the Pittsburgh Steelers had all turned their backs on him, so he ran rather than kicked.

Many Dolphins knew the Steelers left a door open in their pass defense against a slot formation and so Paul Warfield flew through the door.

Out of these little details, the Miami team made two big plays essential to its victory over Pittsburgh, 21-17, in the American Conference championship game.

The outcome sent the Dolphins back to the Super Bowl for the second successive year. They lost last year to the Dallas Cowboys, 24-3.

Yesterday's victory brought Miami's win-loss record to 16-0 this season, an all-time record for pro football, exceeding the 15 straight games won by the Cleveland Browns of the All America Conference in 1948.

A Changing Role

Of Miami's two big plays, coach Don Shula had nothing to do with the first and much to do with the second.

The first was a fake punt and run half the distance of the field by Seiple, who was dragged down at the Pittsburgh 12-yard line in the second quarter. Two plays later, the Dolphins had their first touchdown on a nine-yard pass from Earl Morrall to Larry Seiple, which tied the score, 14-14.

That was the play that got us started," Shula said.

He switched quarterbacks for the second half, an audacious move in a championship game, as Morrall was replaced by Bob Griese, who "deserved the chance," according to the coach. Griese pulled the trigger on the second big play, the slant-in pass to

Warfield for 52 yards in the third period.

Warfield surprisingly was caught from behind by Mike Wagner, a Steeler safety, but at the Pittsburgh 24. Six plays later, Jim Kiick scored the touchdown that put Miami ahead for the first time, 14-10.

Following another touchdown by Kiick, the Dolphins went 11 points ahead in the final quarter and Pittsburgh got seven back on a final score, a 13-yard pass from Terry Bradshaw to Al Young with five minutes left to play. But the Steelers, who had survived on a miracle in their play-off game against Oakland, had none at hand yesterday. Two of Bradshaw's last three passes were intercepted by the Dolphins.

The Dolphins saluted the Steelers. "The best we've played all year," said Jim Langer, the center who had Joe Greene, Pittsburgh's all-pro tackle, playing right over his head most of the afternoon. The Steeler defensive line, with Greene, the keystone, finally gave way on Miami's last touchdown drive when Coonka, Mercury Morris and later Kiick ran eight good plays between the tackles.

Second Score

But in the beginning, the Dolphins were respectful. Glen Edwards intercepted a pass by Morrall, the only Miami turnover of the afternoon, and the Steelers "marched right down the field," as Shula put it.

Bradshaw ran to the goal line from the three but fumbled and Terry Mullins, a Steeler tackle, recovered the ball in the end zone for the touchdown. It was Mullins' second of the season.

As is expected in playoff games, the defenses held the offenses well below their regular season averages. There were three 1,000-yard runners on the field accustomed to 100-yard games. But none came close as Morris and Pittsburgh's Franco Harris gained 78, and Coonka 68.

## Goal by Stapleton Leads Black Hawks to 4-2 Victory

CHICAGO, Jan. 1 (UPI).—Pittsburgh's 20-foot slapshot through two Buffalo defensesmen in the third period and Stan Mikita's insurance shot into an empty goal gave the Chicago Black Hawks a 4-2 National Hockey League victory over the Sabres last night.

Red Wings 4, North Stars 4

Mickey Redmond scored the tying goal off a loose puck in the third period to lift Detroit to a 4-4 tie with Minnesota.

Rangers 6, Blues 1

Jean Ratelle scored three goals and assisted on one as New York trounced St. Louis, 6-1. Rod Gilbert broke a 12-game scoring

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## Art Buchwald

## The Peace Candidate

WASHINGTON.—The Nobel Peace Prize Committee will come to order. We will now start examining the list of candidates. Who is first, Mr. Secretary?

"Richard M. Nixon. His name has been submitted by U.S. Senator Hugh Scott."

"We can't have Nixon, not after the bombing attacks he ordered on North Vietnam."

"Au contraire, Mr. President. I think Richard Nixon is a very suitable candidate for the peace prize. He is eliminating the B-52 from the United States' arsenal of weapons."

"How is he doing that?"

"He is having them shot down."

"Mrs. Nixon Tops 'Admired Women' Survey in U.S."

By George Gallup

Director, American Institute of Public Opinion

PRINCETON, N.J., Jan. 1.—Mrs. Richard Nixon leads the list of women most admired by the American people, marking the first time she has won top honors since the Nixon administration took office in 1969.

Mrs. Nixon is followed in this year's balloting by Prime Minister Golda Meir of Israel, Prime Minister Indira Gandhi of India and Mrs. Dwight D. Eisenhower.

In last year's survey, Mrs. Nixon was in second place behind Mrs. Meir, while in 1970 she was second to Mrs. Eisenhower. In the 1969 survey, Mrs. Nixon trailed both Mrs. Eisenhower (who led the list) and Mrs. Meir who was in second place that year.

Mrs. Nixon has figured prominently among the top 10 in nine of the last 13 polls.

Mrs. Dwight D. Eisenhower has the fourth greatest number of votes, while Mrs. Jacqueline Kennedy is in fifth place, as she was last year. Mrs. Onassis has been among the top 10 every year since 1960. She won first-place honors each year during the period 1962 through 1966.

Rep. Chisholm Gains

U.S. Rep. Shirley Chisholm is in sixth place, having climbed from 10th position on last year's list. Mrs. Chisholm is followed in the 1972 balloting by Queen Elizabeth II (seventh place), Sen. Margaret Chase Smith of Maine (eighth), Mrs. Joseph (Rose) Kennedy (ninth) and Mrs. Martin Luther King (10th).

These annual surveys were started in 1948 and are based on samples designed to represent the views of the entire adult population.

In the latest survey, a total of 1,008 persons 18 years of age and older were interviewed in a survey conducted between Dec. 8 and 11.

by the enemy. The United States had only 100 B-52s. So far, 12 have been shot down. At the rate they are going, they will all disappear in three months. What better gesture can one make toward peace?"

"It's out of the question, gentlemen. Nixon has bombed hospitals and schools and killed thousands of innocent civilians. We cannot give him the peace prize for this."

"But, wait a minute. Does he not get credit for restraint? After all, he hasn't used atomic weapons against the North Vietnamese. A man who has the hydrogen bomb and doesn't use it against an enemy should certainly get the prize—or at least an honorable mention."

"I do not dispute that, but the Nobel Peace Prize has certain stipulations to it, and one is you do not award it to a man who has dropped more bombs on North Vietnam than have been dropped in all of World War II."

"Yes, Mr. President, but we must remember the only reason Nixon is bombing the North Vietnamese is to achieve a generation of peace for all mankind. If this bombing were punitive, then I would say scratch him off the list. But Nixon is trying to find peace through bombing and he should be honored for it."

"I object. Nixon has been trying to achieve peace through bombing for four years. It hasn't worked and it will not work. If we award the prize to a man who believes the only solution to peace is destroying the other side, we will be the laughing stock of the world."

"What does the world know? Nixon has said he will stop the bombing any time the North Vietnamese come to the negotiating table and agree to a fair and just settlement of the war. I say a candidate who talks that way has gone the extra mile."

"But what is a fair and just settlement of the war?"

"That is not for this committee to decide, Mr. President. For years now, we have given the peace prize to people who have done a great deal of talking about peace, but have had no effect on anybody. This time we have a candidate who has done something about peace."

"What has he done?"

"He has shown everyone that he is dead serious about peace, even if he has to commit his entire air force and navy to bring it about."

"That's true, Olav. But at the same time, wouldn't it be better to wait until the bombing stops before we give Nixon the peace prize?"

"By then it could be too late, particularly if he hasn't achieved peace in time. Don't you see what a fine gesture it would be if we gave the prize to a man who was working for peace but hadn't quite made it?"

"We could be at this all day, gentlemen. Let's go on to the next candidate for the peace prize. Mr. Secretary, what is the second name on the list?"

"Henry Kissinger."

"Oh, boy."

## Art for Everybody—Too Much of a Good Thing?

By Hedrick Smith

LENNINGRAD (NYT)—Like the Prado in Madrid, the Louvre in Paris and the Metropolitan in New York, the renowned Hermitage Museum in Leningrad is bedeviled by overpopularity. And some of its most ardent Soviet admirers are advocating that it sharply raise fees, limit the length of visits or restrict the number of visitors to save itself from the crush of an enthusiastic public.

The 400,000 foreign tourists who stream through its 12 1/2 miles of exhibition halls every year, mostly in summer, are but a fraction of the mass. It is the exuberant explosion in the Soviet Union itself, the rising level of education and interest in culture here, that imposes the most critical pressures.

"We twist our minds over this problem," Augusta G. Pobedinskaya, the secretary of the Hermitage, told a Soviet interviewer. "We try to map the routes of the groups so that they will not cross one another's paths, but this helps little. The Italian halls are thronged. People mill about, getting frustrated."

"But I must do justice to our visitors. The cases of damage done to the exhibits are practically nil. About three years ago, a Greek vase was inadvertently dropped. That's about all I can remember."

With up to 25,000 visitors on peak summer days, the Hermitage is not equipped to provide soft felt slippers for all the people to put over their shoes and thus protect the handsome parquet floors of the museum. (It has only 4,000 pairs of slippers.) But Miss Pobedinskaya said that this problem was only the tip of the iceberg.

"That's a trifle," she said. "The floors can be restored to mint condition. There is more than that: The paintings are suffering—dust, humidity from breath, changes in the air composition, and what not. But we cannot do anything radical. Our work is still being judged by the number of people taken in. We are given a corresponding plan every year. Tourist organizations consider it their duty to bring to us, full strength, almost every tourist train coming to Leningrad."

"And we ourselves realize perfectly that our situation is very complicated," she acknowledged. "For decades we have been proud of the fact that treasures of art are national property, that everyone has easy access to them—always. After this, how can we start talking about restrictions?"

Some scientific specialists and the editors of Literaturnaya Gazeta, the Writers' Union weekly, have taken a different view, warning that without radical measures now the priceless collection of the Hermitage will not be passed undamaged to future generations.

"If we want the masterpieces of art to live through the centuries," warned I. A. Gorin, director of Moscow's All-Union Scientific Laboratory for Conserving and Restoring Artistic Values of Museums, "we cannot allow the Hermitage to become a place of mass recreation and put too much hope on restoration."

## Impact on Art Works

He gave a gloomy picture of the impact on art works themselves. "Practical experience has given us hundreds of examples when as a result of sharp and continuous fluctuations of temperature and humidity caused by an excessive number of visitors, internal tension takes place in the layers of priming, paints and lacquers, which leads to destruction of their intricate interconnections, to disintegration of separate elements of the painting, to oxidizing processes, to cracking of the priming, darkening of color, displacement of layers and irremovable deformities."

A few figures give a glimpse of the dimensions of the problem. About 120,000 people went through the Hermitage in 1972. 3.3 million went through last year, including 35,000 organized tours led by 120 full-time guides. The real crush regularly comes during 100 festive days in summer, when about 1.5 million visitors squeeze through the museum, swarming especially to the rooms of the classic European painters—Leonardo, Titian, Rubens and Rembrandt.

The tide of excursionists has engulfed other Soviet sites, too, from the Kremlin to Tolstoy's estate at Yasnaya Polyana and immovable churches and galleries, testifying to the people's growing appetite for knowledge about their prerevolutionary past. By official count, the number of visitors jumped from 65 million to 100 million in the last five years and will probably hit 200 million by 1980.

Soviet cultural publications get bagful of mail complaining about the sheer nuisance of museum going, the discourtesy of throngs of inconsiderate and uncultured newcomers, the hopeless overcrowding in coatrooms, the dirt and confusion.



From the Hermitage collection: Rembrandt's "Return of the Prodigal Son," painted around 1665.

For the Hermitage specifically, they have proposed a variety of remedies: from the introduction of stiff entry fees on the scale of theater-dinner prices (\$2.50 to \$3.50; the present fee is 30 kopecks, or 33 cents) and putting a strict two-hour limit on visits, to subdividing the vast and sprawling Hermitage collection—which runs from prehistoric artifacts to Picasso and Matisse paintings—and farming it out to other museums.

But Hermitage officials refuse to take any steps that smack of putting limits on access to high culture. "The easiest method is to shut the doors," observed Vitaly A. Suslov, the first deputy director of the Hermitage, in a recent interview in his elegant office. "But we don't want to do that. We want people to see the art."

"Better organization of the services of the museum," as he put it, is the approach that has been decided upon. Specifically, this has meant diversifying and shortening some of the routes taken by tour groups, installing year-round air-conditioning devices for the main exhibition galleries, opening three extra entrances to the museum in summer so that five are available for the heaviest rush periods, closing off certain halls when tour groups are being taken through and transferring some minor components of the Hermitage collection to other sites in Leningrad.

Some especially valuable works of art, such as paintings by Leonardo, are now kept under glass or in display cases using cloth that absorbs dust. Installation of a huge machine to suck up dirt and dust in the main vestibule is under way, and plans are being drafted for an underground entrance with a complex of shops and coatrooms.

## Study Undertaken

The museum, which has 200 people engaged in renovating works of art and the five Hermitage buildings has begun a sociological study of its visitors to cope better with their tastes, whims and habits. One early discovery, Mr. Suslov said, was that the big flow of Hermitage visitors comes in the morning. On a fairly average summer day, he explained, about 5,000 to 8,000 visitors arrive between 10 a.m. and noon or 1 p.m., whereas only 2,000 to 3,000 come after that.

In general, however, Mr. Suslov minimizes the actual dangers to the art itself. Paradoxically, he said, the humidity brought by visitors helps the Hermitage collection because some rooms are too dry. And in spite of the great crush of summer visitors and the worries of such scientists as Mr. Gorin, Mr. Suslov asserted that none of the major displays required special restoration work after a year.

"Now, without real pain, we can handle 3 million or so, even 3 1/2 million visitors," he said in conclusion. "Maybe in 10 years, as they say, there will be 10 million who want to come. For us it will already be a real problem when it gets to 4 or 5 million."

## PEOPLE: The Musical Philosopher of Frank Sinatra

"There's room for all of us. The Beatles come to New York and they could very easily fill up Shea Stadium or Yankee Stadium for a concert. At the same time, Carnegie Hall, where Artur Schnabel appears with the New York Philharmonic, would also be full. Every entity of music has its own audience, its own calling. I might not be the Beatles, but I might be the Schnabels. The room was full indicates that the kind of music I make has some followers." The speaker was Frank Sinatra Jr., 28, after a show at the Rainbow Room in New York. His songs included, among others, a medley of tunes his father made famous. "You're closer than you think to Frank Sinatra, I'm wearing his lured," Sinatra Jr., who likes his name "just fine," is also a composer and arranger and once had his own band. He was studying composition at the University of Southern California when he was offered a job as vocalist with the Tommy Dorsey orchestra. He took it (as his father did once years before) and spent three years on tour with the band. Now with his own act, he says he still spends about 40 weeks on the road and the rest of the time recording, doing TV shows or films.

world's record in each oyster. According to the Book of World Records, effort for this venture on Joe Garcia of Melbourne, Fla., who ate 480 in 60 minutes. Four shuckers with oyster knives were by Melancon. An official kept track. Melancon, away until oyster No. 233, hit of oyster shell had pained No. 232. Since the oyster emergency method something no once its errant oyster hopelessly the counting.

Princess Muna, 31, divorced before Christmas from her son of Jordan, has taken sons, Princes Abdulla, Faisal, 9, to the United States to enroll them in an prep school in Massachusetts.

ANOTHER MARRIAGE LEM. Robert Parkinson, Aurora Meli complain can't wed, because a judge has ruled that no do, Parkinson will not be to see the two children previous marriage, which 17 years.

Farkinson said that Miss Meli, who was nuptial in his former September divorce suit, is planning to marry "but judge's insisting on it has that."

"Miss Meli thinks that reason I want to marry is just so that I can children," he said.

Miss Meli said: "The one reason I want to marry is where I can't marry because I am a divorced woman. I want to be the first step to another."

Miss Meli already daughter by Parkinson, who would appeal the judge's judgment by jurist Wright.

A Kansas City, Missouri, man was understandably cautious when he spotted a with Georgia license plate territory. Patrolman Dale topped the cab, which came passenger in a U.S. uniform, and asked the "Can you explain why you to be here?" The driver's fare was stationed at Fort, Georgia, and had a \$350 rate for the trip. Columbus, Georgia, to a dition in Kansas City, Missouri added, "The driver called as if this some, that occurred all the time."

Bangkok police canceled a end beauty contest for impersonators because of felt the pageant was not a public interest. Contest pro, Adasak Makhiao planned to the contestants in bathing parade before panel. But police said nothing doing, warned that males, four female attire would be ar. According to newspaper re, the 66 thwarted contestants plopped his 284 pounds in a chair, with the intention of setting a

Speaking of the Beatles, the British Broadcasting Corp. will launch a 12-week radio history of the Beatles Wednesday with the famous four from Liverpool describing their rise to fame and eventual split-up. Each of the 45-minute episodes will contain an average of 10 Beatles songs, according to the group's first recording session on unknown in Hamburg to their individual hits following their breakup two years ago. The series, one of the most ambitious radio programs broadcast on pop music, will be aired at 1030 and 1530 GMT on Wednesdays and at 2030 on Fridays in the BBC world service.

Actor Edward G. Robinson, 79, is hospitalized for tests at Mount Sinai in Hollywood. A hospital spokesman said Robinson's condition was "satisfactory" and "not an emergency situation" but would not say why the actor was undergoing the tests.

Another medical bulletin reports that a surgeon in Buenos Aires, removed more than 30 assorted items from the stomach of a 3-year-old boy. Among the objects removed were olive-stones, screws, jewelry beads, fruit pits and coins.

The Minden, West Germany, city council has granted K. K. County a lifetime free admission certificate to the municipal swimming pool. Georg, 81, says swimming has kept him in top physical shape.

Had it not been for a piece of shell, Bobby Melancon might have been listed in international records this coming year, but... At the Louisiana Oyster Festival in Galliano Saturday night, Melancon plopped his 284 pounds in a chair, with the intention of setting a

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## Outlook for Business

By James Poole

LONDON.—Two weeks before the British government signed the Treaty of Rome, the newly appointed British Minister for Trade and Industry, Peter Walker, was heard bawling the cloth and inefficiency of British industry because of its indifference to the EEC. "It is incredible," he said, "how complacent and apathetic a large number of British companies have been. There are hundreds who have done nothing to prepare for the opportunities of Europe."

The same day a quick survey of the news media representing Community opinion on the other side of the Channel would have told a very different story. In France

they were talking about "a new Waterloo," as the invasion of French businesses continued, unabated even by French government opposition. The French business magazine *Entreprise* calculates that the British have already spent over 1 billion francs in France this year, 30 percent of the net value of all British investment in France up to December, 1971.

In Germany the stockmarket was rocketing over the activities of Jim Slater, now dandy of the whiz-kid investment bankers of the City of London. "Die Briten kommen," thundered the German financial press, over stories with the serious message that the British will be by far the biggest

foreign investors in the Federal Republic this year.

Holland is anxiously watching the effects of an unprecedented takeover boom. In the first nine months of 1972, 48 companies fell to the Anglo-Saxons compared to only 87 in the whole of the preceding seven years. While in widely separated Italy and Belgium, governments are gratefully counting the pounds sterling that have floated their way in a surge of British direct investment this year.

### Who Is Right?

Who is right? Are the phlegmatic British industrialists as ill-prepared as they make themselves

out to be, or are Continental neuroses justified? The answer is probably a bit of both. Going into the EEC will not affect Britain's immediate trading prospects all that much. But in catching up on 15 lost years of the great European experiment British entrepreneurs are going to be aggressive and in a hurry.

It will all take time, and progress may be imperceptibly slow but the expanded Common Market will turn the British corporate way of life upside down. There are new perspectives facing management and workers and the professions. And the politicians, nervously trying to guess which sectors will emerge winners and which losers, are certain to be in for some big surprises.

Already some 25 percent of British exports go to the new European bloc and the scope for further increase is limited by the expected losses in trade with other parts of the world. But by and large industrialists in Great Britain are optimistic about the trading future. The opinion surveys of the Association of British Chambers of Commerce have been reporting that optimism among exporters was increasing the closer the U.K. gets to entry.

As one U.K. managing director, Peter Hoskins of the Haddon Group, puts it: "If I were a European manufacturer I am not sure that I would be wildly excited over the opportunity to add 50 million customers to a market which already tops 200 million; but as a British manufacturer I am very excited indeed about the reverse operation."

But Peter Walker should know if, as he says, there are hundreds of British companies distinctly less euphoric. They argue that the benefits of the EEC tariff cuts, which reduce to zero gradually by 1977, are rather less than the GATT tariff reductions of the past few years. And British export prices over the five-year EEC program will not gain as much as the advantage won in months by the recent downward float of the pound sterling.

### Few Plans

Against this background it is less surprising that no less than 30 percent of the manufacturing companies recently polled by the magazine *Engineer* on their plans for the expanded Common Market said that they were not doing anything at all. It is reminiscent of the cool attitude that UK industry had towards EFTA, where it is widely agreed that Britain did less well than might have been expected. Similarly with preparations for the expanded EEC it is not the traditional manufacturing industries in the



UK that have been conspicuously active in Europe. Instead it is the consumer based industries, particularly food companies, where it might be expected that national tastes limited the commonness of the Common Market. These have been most representative of the rush into Continental Europe.

The pace of the rush by Anglo-Saxon food, beer, catering and even bootpolish companies to establish Continental bridgeheads has been astonishing. Most spectacular has been the creation of an Anglo-French food manufacturing and retailing giant by Jimmy Goldsmith. His Cavenham Foods is now the third or fourth largest food group in Europe after Nestlé and Unilever, and results from a breathtaking series of acquisitions, largely in the past eighteen months. Equally adventurous, but as yet less spectacular to the public eye, is the transformation of the UK's domestic street corner caterers Joe Lyons into a world-wide manufactured food operation which expects to get a half of its turnover from Europe by 1975.

This takeover invasion of which these are part is already being labeled "Le Défi Anglaise" in Continental Europe. The aggressive acquisition of one company by another is one of the most feared aspects of Anglo-Saxon business practice. Inside the present EEC defensive restrictions against takeover raids are generally formidable, both through governmental fiat and local financial opposition.

In the presence of a direct threat Continental companies and their bankers generally close ranks. The recent wedding of BSN and Gervais Dacome in France, to create the largest food company in the country, was at least partly defensive. Gervais had been the subject of Bourse rumors of an impending takeover threat, particularly from Jimmy Goldsmith's Cavenham Foods, for months past.

Despite opposition, 1972 was the year when the British broke over the barriers and it became respectable to sell out to the invaders. And it is not just the big corporations that were moving in. Provisions in the last UK budget allow direct investment projects overseas, worth less than £1 million each, to be financed outside the normal UK exchange control regulations. This has allowed small companies to invest in Continental subsidiary operations and accelerated the move by British entrepreneurs set on rationalizing

*Are the phlegmatic British industrialists as ill prepared as they make themselves out to be, or are Continental neuroses justified? The answer is probably a bit of both.*

fragmented European industries. An example of such rationalization was the purchase by the largest chain of butcher shops in the UK recently, of a chain of four butcher shops in Paris, the largest firm in the French business.

Inside Britain itself the takeover activities of a few companies overseas are seen as small beer compared to the merger frenzy among British companies themselves. The mergers started partly with the excuse that it was necessary to rationalize British industry into Common Market sized units. For a time this became government policy.

### Boom Unabated

The failure last summer of the largest merger ever proposed in the UK—the creation of a large UK pharmaceutical giant out of two medium-sized specialists, Beecham and Glaxo, which was stopped by a maverick decision of the official Monopolies Commission, quietly killed this idea. The takeover boom went on regardless. It was not British companies building up their international strength. It was UK-based international companies rushing to buy up domestic interests for purely tax anomaly reasons.

Surprisingly there has been little reverse flow by Continental companies taking advantage of the free-for-all company acquisition game in the UK. Continental businessmen are stepping up their interest in the British Isles but generally they are as pusillanimous as Peter Walker says the British are about the Continent. A few companies such as the German AEG or the French Moulinex will be building up their sales of domestic goods to the British housewife. But by and large there are almost no indications of any impending attack on the UK market by Continental companies.

This makes all attempts at predicting which industries will emerge as winners and which will lose from the enlargement of the Common Market, a highly academic exercise. The latest Department of Trade and Industry secret report on how British industry will fare inside the EEC is widely believed to have come to the conclusion that the great set percentage gainers from UK entry will be the makers of vacuum flasks.

Such hilarious conclusions are drawn largely from past import-export statistics. The relevance

of these is extremely doubtful. For example, the DTI concludes that the UK petrochemical industry is rather well placed after entry of the UK into the EEC.

What the statistics hide is the differences in the markets—higher chemical prices in the UK for example and transport economies—that make the UK industry quite fearful about the effects of foreign competition. Another big industrial sector similarly disadvantaged is the nationalized steel industry, but it would be hazardous to try to predict what will actually happen over the next few years to such an obviously key industrial sector.

There are few obvious losers. The candidates most frequently proposed are British footwear and horticulture faced by cheap imports from the Mediterranean countries.

In other cases the market in the British Isles has already altered as preparation for the EEC progressed. Foreign cars have rocketed from nowhere to a significant percentage of the UK market over the past two years. Whether or not this will permanently hurt British Leyland depends on the success of the latter's ambitions in Europe, which include selling 500,000 cars on the Continent, more than half locally assembled by 1975.

### Motor Vehicles

Cars are typical of products which are becoming more international. In the wake of this, the component supplying industries are also having to become more international in outlook. The UK motor components group Lucas, for example, earlier this year warned continental competitors that if they were to get a share to gain relatively little from the have to attack their markets. Similarly with the truck industry.

The impediments to a more Common Market are still severe for many industries. The lack of common public purchasing means that construction and heavy electrical equipment firms stand to gain relatively little from the EEC. Britain inside the Common Market will be much more attractive to foreign companies seeking to establish a foothold in the Community.

The UK government has said that it will try to attract such foreign capital. Ford has already announced a record two-year £135 million investment program in the UK only a year after Henry Ford II castigated his

British labor force and the efficiency of his British companies. Others will follow.

Eire seems set to attract many of the Japanese firms hoping to set up manufacturing bases in Europe.

This will lead to greater competition in the UK but the British businessman seems not to be worried by the prospect. Nor does he care that foreign businesses operate in Britain. This has little to do with the famed old net; most industries are dominated by the professional business school graduates, international careerists. Few industrialists combine as the British insurance companies sometimes over the last two years to warn off City thruster J. Slater from taking one of the over. The old boy net of Continental bankers is far more formidable. So it was the more symbolic that one of their number (Dr. Wulke of Deutsche Bank) joined the board of the reconstituted bankrupt Rolls-Royce.

Only one aspect of the EEC seems to worry the British businessmen—the red tape, the like which is unknown inside the UK. The City is particularly worried that its free form style of financial dealing would be proscribed by the normal banking rules found on the Continent.

Industrialists are already aware of the king of the UK economy. The anticompetitive policy has already led to the final of the king of the UK economy, ICI, and has split up the world-sharing agreement between the two giants of the tobacco industry, Imperial and BAT.

The professionals: accountants, lawyers and company secretaries have yet to publicly acknowledge corporate legislation is making in the EEC. Trade unions steadfastly ignoring the market have yet to publicly acknowledge that the EEC will profoundly alter workers' organization. Workers' representation on boards of all companies is as profoundly strange to the British worker as it is to the British manager. But as the workers' Dunlop have already discovered they have a community of interest with their associates in the rest.

So finally British businessmen prepared for the Common Market. Not quite in the way Peter Walker intends perhaps. But such essentially Common Market activities as lobbying the British have learned during a course of the current negotiations on heavy lorries and sugar look after their own interests. And on investment the UK industrialists have been no less. It is not surprising to Englishmen that British companies have invested twice as much in Italy, one of the original EEC six, economically stronger fellow member Germany, in the period since the idea of Europe and Free Trade got underway in 1956.

Mr. Poole is foreign editor for business news in the *Sunday Times*.

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## Foreign Banks

(Continued from Page 13)  
ing the Eurodollar market, British authorities tend to dismiss the subject as more theoretical than real.

"The Common Market's plans for monetary union do seem a bit overoptimistic," says one British official who specializes in Euro-dollar operations. "I don't think anyone needs to get very concerned for a long time to come."

### Alarm in EEC

But aside from the Community's plans for monetary unity, the rapid growth of the Euro-dollar market itself appears to be causing alarm among Common Market officials. This development could increase pressure for controls.

Defined approximately as dollar deposits originally lent outside the United States, the Euro-dollar market increased by about \$12,000 million to \$66,000 million

in the six months ended June, according to estimates of the Bank for International Settlements in Basel. The rate of increase appears to have slowed down in the second half of this year, but Bank of England statistics suggest that the rate of expansion for the year as a whole could be about 33 percent.

"Under these conditions one could quickly be confronted with the need to defend official reserves and exchange rate parties against unwanted conversions of Eurodollars," says Rinaldo Ossola, deputy governor of the Banca d'Italia. He adds that controls may be necessary to prevent another monetary crisis.

With the possibility of controls in mind, the British Bankers Association recently broadened its membership to include all banks in London so it could effectively represent Britain's entire banking industry in Brussels. Previously the Association's membership was confined mostly to British deposit banks and excluded merchant

banks and discount houses as well as foreign banks.

But in broadening its membership, the association stipulated that foreign banks could have only associate membership and presumably a lesser influence in whatever lobbying takes place in Brussels.

Although they have junior status in the association, foreign banks do seem to account for a large portion of London's banking business. For example, statistics in the Bank of England's quarterly bulletin for December show that deposits of American banks in London totaled 16,383 million pounds on Oct. 18, compared with deposits of 15,301 million pounds on the same date for London clearing banks, which include the four largest British banks.

The American banks, of course, were doing mostly Eurocurrency business with total foreign currency deposits equivalent to 13,690 million pounds and sterling deposits of 2,693 million pounds. In contrast, foreign currency

deposits of the clearing bank totaled 1,096 million pounds and sterling deposits 14,205 million pounds.

To be sure, the figures only give an approximate view since clearing banks have subsidiary specializations in Eurocurrency business listed under other categories. In addition, many American banks are listed under other headings.

Twelve Japanese banks at among 41 banks listed as other overseas banks. Interesting deposits in this category almost doubled in the 12 months ended Oct. 18 to 3,190 million pounds. The fast expansion considerably narrowed the gap with London's 17 mid-line accepting house bank which had deposits of 4,133 million pounds on Oct. 18.

Overall, foreign currency deposits of both British and foreign banks in London totaled 43,066 million pounds on Oct. 18. This was more than the banking system's sterling deposits, which totaled 29,298 million pounds.

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## The Outlook

London's accession to Europe's financial throne rests on two

assumptions: that the liberalisation

of controls on capital movements is just around

the corner and that the Continentals are so unhappy with

their own institutions that they will gratefully

turn to those of London.

Neither assumption seems likely to prove correct.

Continued from Page 13

that in the years ahead British banks will develop on European lines rather than the reverse.

### Two Differences

There are two main differences between Continental and British banks. The Europeans offer a wider range of services and are major shareholders in most of their clients. In Britain the same range of services are often split between a number of institutions, the banks are less involved with industry and would hold the shares of clients only with reluctance. This reluctance springs from memories of the 1930s when left British banking unscathed while Continental banks collapsed like nincompoops as industrial customers became illiquid. However what may have been a matter of strength then could today be a weakness.

The "universal" banking offered on the Continent springs from competition for deposits between the private banks and their publicly owned rivals. The private sector responded with a series of mergers that increased their branch networks and the services they could offer. The result is that on the Continent the general bank and the savings bank now offer services that were once the preserve of the exclusive private bank.

Bank of Rothschild has been forced to open branches to improve its deposit base. In London the Rothschilds have turned their back on such notions, convinced that their future continues to rest in brain power, not more deposits.

### Different View

Not all of London's merchant banks take the same view. Hill Samuel, for instance, has been unsuccessful in taking over M&P, one of Britain's largest property companies, and is now thought to be contemplating a merger with one of the

giant clearing banks. Hill Samuel's chairman, Sir Kenneth Keith, is one of the few London bankers to question the optimism over entry into the Common Market. He said recently: "I do not think we can expect a substantial upturn in earnings, immediately upon and directly as a result of EEC entry."

In December merchant bankers Guinness Mahon merged with the merchant house of Lewis and Peat, Keyser Ullmann, the bank run by the ex-chairman of the Tory party Edward du Cann, has merged with a major property company, Insurance brokers C. T. Bowring have taken over merchant bankers Singer and Friedlander. These are the first signs of a movement that is bound to gather pace.

### Re-Examination

Lord Rothschild's Central Policy Review Staff, better known as Mr. Heath's Think Tank, has asked the high-powered Inter-Bank Research Organisation to look at the future of the City of London, and in particular at its relations with the Common Market.

In a paper on "The Structure of British Financial Institutions in the 1980s," James Robertson, head of the research organisation, said: "As the British clearing banks, merchant banks and stockbroking firms come into keener competition (and also closer co-operation) with German all-purpose banks, they may be compelled to consider whether the structural differences between them are still commercially advantageous." In other words, while London may have superb secondary markets, the structure of its primary institutions is lagging behind that of the Continent.

Yet London is all too quick to assume that its stock exchange will grow in importance as grateful European companies turn to it for the "advantages" of a share quotation. In discussing

## What the City of London Earns\*

(£ millions)	1965	1966	1967	1968	1969	1970	1971
Insurance							
Companies	46	66	78	90	111	111	127
Lloyds	14	20	45	74	105	156	188
Brokers	21	23	27	36	42	50	55
Total Insurance	81	109	150	200	258	317	381
Banking							
Credits	114	122	127	152	236	240	301
Debits	82	100	98	111	119	125	148
Net Banking Earnings	32	22	29	71	117	105	53
Investment Trusts	29	30	30	35	34	35	35
Unit Trusts	1	2	2	3	3	4	5
Pension Funds	5	5	5	5	5	6	7
Merchandising	30-35	30-35	30-35	35-40	40-45	40-45	45-50
Brokerage, etc.	28	29	35	51	60	74	49
of which:							
Baltic Exchange	19	n.a.	n.a.	n.a.	33	47	24
Stock Exchange	n.a.	3	4	9	9	9	10
Lloyd's Register of Shipping	n.a.	n.a.	n.a.	3	4	5	6
City of London†	210	230	286	404	522	586	650

\* Source: Derived from sources in the City of London and U.K. Balance of Payments 1971 (The Pink Book, H.M.S.O.).

† Profit on third country trade and on re-exports; this category includes the earnings of the commodity

U.K. Financial Institutions, to the nearest £5 million (including an allowance for the earnings of the Stock Exchange and Lloyd's Register of Shipping in those years for which separate estimates of these are not available and "other brokerage" earnings).

‡ Figures are from mid-year to mid-year and are therefore not strictly comparable with annual figures elsewhere.

the "Stock Exchange's Role in Europe" recently, Sir Martin Wilkinson, chairman of the London Stock Exchange, explained that we were entering Europe from a position of strength. The assumption is that the direct involvement of Continental banks in the affairs of their customers reflects the inadequacy of local capital markets. No one, least of all the London Stock Exchange, stops to wonder if the opposite might not be true—that the involvement of European banks in European industry makes a large equity market on the lines of London unnecessary.

### The Base

There have been two reports on the future of Europe's capital market. The Segre Report of 1966 and an OECD study of the following year. Both recommended liberalisation and the development of markets on the lines of London. Freedom and flexibility are principles much to be desired, provided that is, they don't ignore reality. London's very technical superiority may work against it; within the Community matters are more likely to follow the interests of the majority than ideals hammered out in Brussels or Paris. Why should Europe's financial institutions favor directives that follow British practice if such practices

seem harmful to their own self-interests?

From now on Britain will argue her case in Brussels as each new directive comes forward. Britain's institutions, its accounting and tax law have developed very differently to those of Europe. It is hard to imagine that harmonization will be to British standards. It is Britain that is adopting VAT, not Europe adopting the superior purchase tax system.

The unavoidable fact is that, with the exception of property development, Britain's financial penetration of Europe is small. It is estimated that of the City of London's gross overseas earnings only 12 percent come from Europe. The net figure is worse. In 1969—the last time that a figure was calculated—the City had a net deficit of £75 million with the six EEC countries. That sort of penetration hardly suggests that Britain has much of a base to build on.

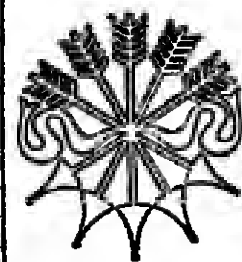
### Not Rosy

London will not take Europe by storm. Charles Villiers, ex-head of the Labor government's Industrial Reorganisation Corporation and now chairman of Guinness Mahon, says: "I cannot pretend that, as things are, the prospects for the City in Europe are rosy." None the less the opportunities

will exist and one suspects that the real growth will be among those cross-frontier banking groups that have sprung up in the last few years. At the moment there are four main groupings: Orion, which includes the Chase Manhattan, Royal Bank of Canada, Westdeutsche Landesbank Girozentrale, National Westminster and the Credito Italiano; SFE, whose main members are Barclays, Banca Nazionale del Lavoro, Banque Nationale de Paris, Dresdner Bank and the Banque de Bruxelles; CCB, which consists of the Credit Lyonnais, Commerzbank and the Banco di Roma; and finally EBCI, which includes the Midland, Amsterdam-Rotterdam, Deutsche Bank, Societe Generale, and Creditanstalt Bankverein.

The Common Market offers the City of London great prospect for profit, but the City will still need to go and get the business. It will not come to London without persuasion. This means moving slowly and quietly, not trumpeting the superiority of London to every European who will listen. It means working with, not against, the financial institutions of Europe. It means the formation of joint enterprises that combine the skills and experience of the different financial centers.

Mr. Bambridge is business editor of the Observer.



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## Another View

Continued from Page 13

in the notion that present Britain is somehow about to be transformed into a rapid-growth country like West Germany or Japan.

There are no convincing sound arguments in favour of both.

As has been said, the sick British economy can be compared to a patient with a cold. Throwing a window—enter the EEC—the patient might be cured.

For those who wish to analyze the likely political consequences

of this decision, this is awkward, since Britain's political status within the enlarged community will to a large extent depend upon what happens to its economy. The present prime minister, Mr. Heath, harbors grandiose thoughts about Europe, and Britain's place among its leaders, and as a result he may well try a Gaullist policy of stubbornness and bluff in an effort to insure that Britain's voice is heard with due respect. But in the long run the amount of respect that the other nations regard as due will depend upon what happens to the economy: if Britain seems to be sliding downwards towards becoming the poor man of Europe then, naturally, it will be treated as such.

The political consequences of this could be profound. The Europe of the Six was effectively led by the West Germans and the French, with the Germans anxious to please and the French anxious to assert themselves, and thus unwilling to budge. It was an unsatisfactory duopoly; it is hardly surprising that many people have hoped for better things from the emergence of the triad—France-Germany-Britain—that might be expected to be the result of Britain's membership. It could work out that way, but not for very long if the British economy fails to pick up.

This formula of "it all depends," unsatisfactory though it may be, is inescapably attached to all the great questions that follow from this (possibly) historic morning. There is probably a greater degree of consensus among the Western nations on the policy of rapprochement with the Soviet Union than on anything else, but so far Britain has turned out to be tough and individualistic in its attitude to the talks on mutual force reductions. The degree to which this matters in future talks will depend upon Britain's strength.

### Talks

It is the same with the whole range of varied questions to do with relations between Western Europe and the United States. A great deal of talking is scheduled for this year, on the future of NATO, on the size of the American military presence in Western Europe, on trade across the Atlantic, on the world monetary system, and, if President Pompidou has his way, on the overall view of the manner in which the community of all Western nations should now proceed.

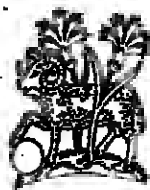
None of these talks will be easy.

### Varied Interests

The nature of the relationship between America and Britain is qualitatively different from that between America and West Germany, or, again, between America and France. This is not because there is any longer anything particularly "special" about the ties between London and Washington (although the effects of a long history cannot be set aside) but rather because the common interests that each of the pairs share are different from those of any of the others. France has stood aside from America's creation, NATO—Britain has not. West Germany is on the front line with the Communist world—Britain is not. Italy might seek American "protection" from the European big three.

This is not to say that there is nothing in European unity, or that Britain will not strive to be a "good" member of the club of Nine. But the Europe dreamed of by those who hope for an eventual federation is still very far away; the present reality is that a common market—just that—has been set up under rules and constraints (such as the single national veto) that make any move forward particularly slow and difficult. The French have shown how it is possible to be a member while at the same time pursuing an exceedingly individualistic policy. The British, who at this stage in their history may be considered to be especially unpredictable, may quite possibly adopt a similar approach.

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## Euromarket

(Continued from Page 13)  
say, with the Victorian hymn-paradist. "They will be done, but not just yet!"

Immediately, the outlook must be for a greater use of the international market by British borrowers. If they want to invest in Europe, either by acquisition or by putting down plant, they will have little other choice. And aggression, rather than partnership, seems likely to be the order of the day. One disastrous deal, the Dunlop-Pirelli union, has cast a black cloud over the whole idea of partnership. Those in Britain and the Continent who still find something heady—ecumenical, almost—in the notion of trans-European mergers would do well to realize how much suspicion and mistrust have been revived. And yet the real moral is not to be found in tired jokes about triplicate sets of accounts, but that, as Sir Alan Wilson of Glaxo said when fighting his own big battle last year, between competitive companies there are no mergers. Control cannot be split, and the structure of Rothmans International showed that the lesson had been learned.

### The Rules

So some, at least, in the City, look happily forward to playing in the European arena the game whose scope, in the playing fields of Britain, is beginning to look exhausted—the sport and art of swapping paper, perhaps quite fully valued, for assets and earning-power, perhaps of a conservative rating. How the game will develop will depend, as always, on what happens to the rules.

One determined blast of the whistle came from that most experienced of referees, Mr. Wilfred Wareham, head of the London Stock Exchange's quotations department. It was the more significant in that he chose to deliver it at the exchange's great Brussels conference, designed to show the capabilities of the London market to Europe.

### A Portent?

Mr. Wareham quarrelled with the commission's directive on company accounts, which requires only that they should be certified as complying with the law—not, as in Britain, as giving a true and fair view of the state of the company's affairs. Heaven knows that some true and fair view have come to look cross-eyed in recent years. But, as Mr. Wareham said, at least they are better than a system which cannot so much as tell the owners of the equity whether the concern is solvent. And it is surely significant that the professional accountancy bodies have chosen to follow the British example here, as against the commission's precept.

That, too, may prove a portent;

and so may the listing on the British domestic market of such a major European company as the Crédit Commercial de France. If other such companies will submit themselves to the accountancy disciplines of the stock exchange, then, paradoxically, it is the London international bankers who will benefit. As matters now stand, they compete for business in Europe at a double disadvantage. They are distant from their customers, and they are less well placed than their competitors to form a sound judgment of credit. Information will strengthen their hand. It is not wholly in jest that a London broker who busies himself with European shares claims this simple rule of thumb: start with the share price, decide what sort of earnings multiple such a company would stand on, and bingo!—you know the true earnings.

### The New Game

But if a change in the rules will help London, might the new game not prove to be one that only numbers can play? The City view is to accept that, and think it a price worth paying. The Bank of Eng-

land has been careful, in of the City gates to institutions the Six, to say that there be reciprocal rights for those given. But even without proviso, there would be a for welcoming the further of banks in London which seems certain. "If you're in the middle here," as one Eurobanker puts it, "you're rules more quickly, it's more petitive; and then you start ing messages home saying maybe this is a good way to And if those messages are ceived and understood, that would derogate from London uniqueness. It would wide whole market. London, while, has the advantages man in possession; and po and durable those adva may well prove.

The markets, indeed, may last their currency. The "Eurodollar" may prove a namer in both its parts; it now, just one. But the play is that, for any major comp any size, whether it like game or not this is the only in town.

Mr. Fildes is City Editor Evening News, London.

## Perspective

(Continued from Page 13)

out what its policy of inter-bank mergers should be.

The Bank's role in trying to impose a morality on the City is one which has also given rise to confusion. The problem has been that the whole tradition of self-policing, built up over some two hundred years, has been working less and less well as the City becomes a more complicated place. Newcomers who have built up their business outside traditional City groupings are not touched by traditional City sanctions. There is little point in threatening to expel some bank from the Accepting Houses Committee, or some insurance company from the British Insurance Association, if neither have any desire to be members in the first place.

### The Bank

The role of the Bank has in the past been one of general overlord, responsible for the way the City behaves but without specific duties or sanctions. But as the voluntary system has shown signs of strain the Bank has become more and more involved itself. And not only the Bank—for whenever it proves unable to devise a new and satisfactory method of control the government has to step in.

In one area where voluntary control has been particularly unsatisfactory, insurance companies, new legislation increasing the power of the Department of Trade and Industry is being brought in early this year.

Thus British entry into the EEC is merely one further complicating factor, imposing itself on a scene that is already changing very quickly. When the City gets worried about the impact of EEC entry it tends to forget this.

### Agreement

In the case of the rigid controls on overseas investment the path has been mapped out. An agreement between the U.K. authorities and the EEC does exist setting out a timetable for the removal of capital controls between Britain and the EEC. At the end of the five-year transition period the last such controls (on portfolio investment) will have been removed, with restrictions on direct investment lifted rather earlier. As far as non-EEC investment is concerned Britain would adopt whatever common regulations the Common Market countries adopted at that date.

But does this mean anything? There are a number of reasons to suspect that it does not. As noted, the controls at present have not stopped overseas investment. There is therefore no reason to believe that at the end of the period British funds would flood overseas into the lush pastures of Europe—or at least no more than at present. Beyond this there is the possibility of adjusting the timetable—there are a number of loopholes in the agreement—and as France has demonstrated, even the existence of such agreements does not stop national governments from acting in what they see as their own interest and imposing capital controls as need be.

### More Control?

If this first fear is unjustified, what about the others? In Eurocurrency activities, there is some sort of threat. The Bank of England's system of external accounts may prove against the interests of other EEC members. A number of foreign central banks, including the Bundesbank, have long felt that the Bank should exert more control on London banks' Eurocurrency activities. The Bank's attitude has always been that if it were, for example, to impose reserve ratios on London Eurocurrency accounts, that would merely drive the funds to some other (and probably less well run) offshore banking center.

The question then, is will EEC

entry impose an additional political pressure on the U.K. authorities to curb the Euro-market?

I suspect the answer will be yes. But I believe that it is not in fact going to undermine seriously London's international banking business. New York has demonstrated in the last two years that it is perfectly possible to build up an offshore banking business without being able to run external accounts, by the simple dodge of putting the business through a limited service branch in Nassau. There is no reason why London should not do the same.

The final question—the impact of EEC entry on the way in which the ethics of the City are ordered—is perhaps the hardest to give a satisfactory answer to. Each of the various European financial centers has a very different history of control: one has only to contrast Luxembourg and Paris to see the difficulties of harmonizing financial practices within Europe. Ultimately some common system of governing such things as share dealing practice, accounting systems, or mergers between financial institutions,

will have to be devised. A system will have to be on law; it would be hard to enforce without some sanctions. But London doubts. European financial centers too—would be to move to an SEC on the States' pattern.

### A Suspicion

By and large, London has more progress on evolving a dealing code and devising satisfactory method of protection of company accounts have Continental centers cannot help suspecting that European practices gradually follow London in fields, rather than vice versa. This is so, the path now trod, away from voluntary control, toward a legal system, be a useful experience for Continent as much as Britain.

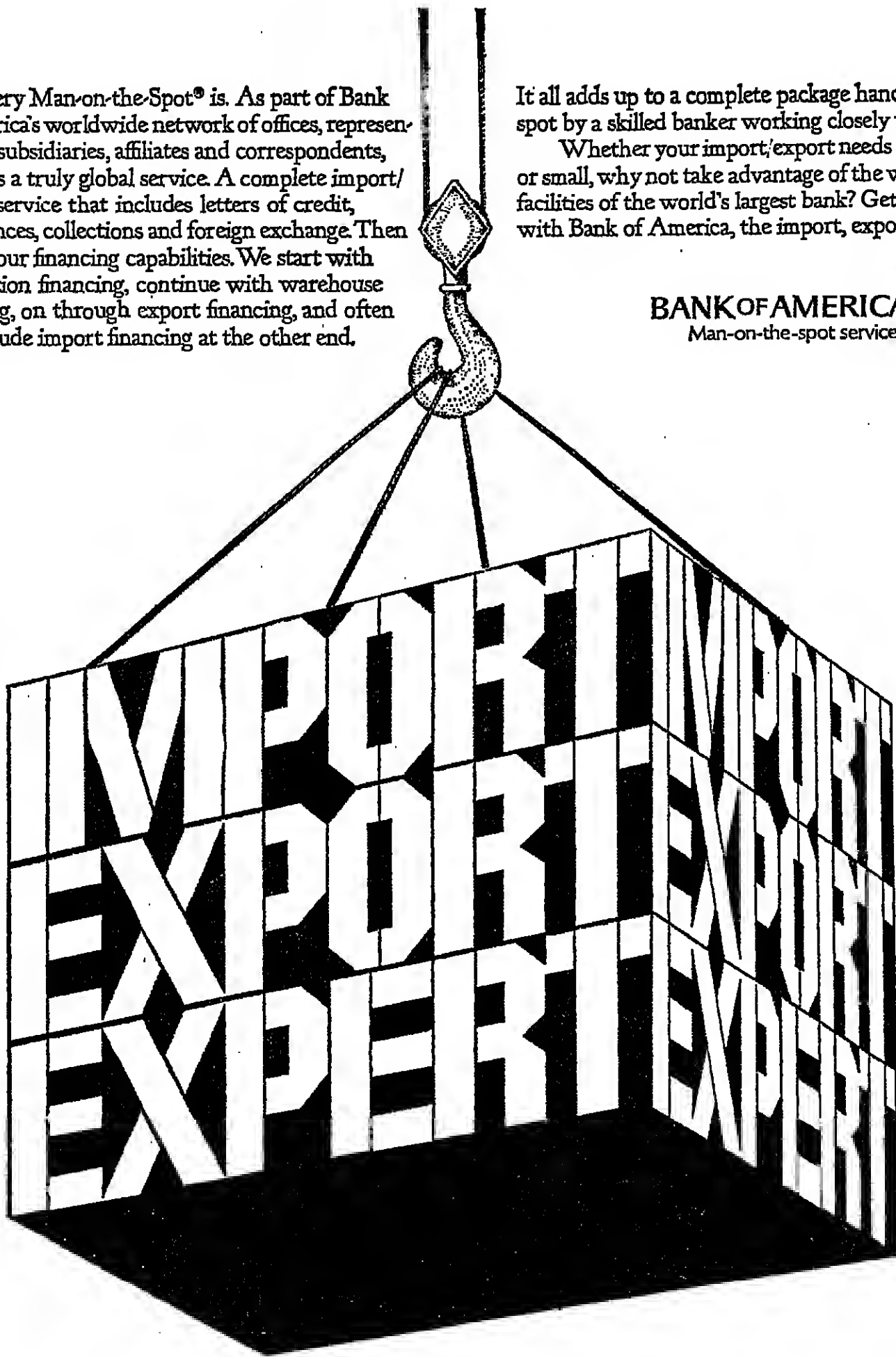
Mr. McRae is the editor of Euromoney magazine. He is author, with Frances Cairns, of the forthcoming book "City."

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## The Discount Banks

By James Castle

LONDON — First the good news. Britain brings to the European economic Community a government bond market that is more than twice as big as the Euro-market, considerably higher-yielding, and just as advantageous as well if you're a foreigner.

The creditworthiness of the borrower is unquestioned, better than that of most of all the companies floating issues on the Euro-market. Then the bad...

The floating pound sterling makes any purchase of sterling securities hazardous. Estimates of when the six-month-old float will end vary from spring of 1973 to summer or even later.

### Lending Rates

Capital values of bonds, as opposed to their yields, have suffered recently because of rising short-term interest rates and accelerating inflation. Banks recently raised their base lending rates to 7 1/2 percent from 7 percent. Some observers believe the government is beginning to win its battle to slow the growth of the money supply and will ease its upward pressure on interest rates. But this isn't certain by any means, especially in view of a widespread call by the Bank of England for banks to set aside funds in special deposits.

As to inflation, the government has clamped a 90-to-150-day freeze on wages, prices, rents and dividends. This is to be followed by Phase II controls designed to bring inflation down from the current 7.6 percent a year. It is too early to know whether the program will succeed.

Now the picture in more detail...

Government bonds (known as "tapped" securities or gilts) consist of nearly 50 issues of the government proper and of nationalized industry. They form the biggest single element of the national debt, with Treasury bills and national savings following. Gilts of up to 5 years maturity are known as "shorts," to 15 years medium and over years long. The longest bond present is due to be redeemed between 2012 and 2015.

### 'Irredeemables'

In addition, there are six gilts redeemable only at the government's option. Because their coupon rates are very low, ranging from 2 1/2 to 4 percent, the bonds are unlikely to be redeemed in the foreseeable future and are known as "irredeemables."

The total nominal value of outstanding issues is in excess of 24 billion pounds, more than twice



that of the Eurobond market, which has issues with nominal value of about \$22 billion.

As 1972 drew to a close, the highest yields on gilts were obtainable on irredeemables. At mid-December, Treasury 3 percent and Consols 4 percent both were yielding 9.78 percent, well above Eurobond market yields.

Institutions own most gilts. The main institutional holders besides the government itself are discount houses, banks, insurance companies, building societies, pension funds, private trusts and funds, and overseas central monetary institutions, though not in that order. Later, this article will look more closely at the discount houses, which play an important but not widely understood part in gilt market and public sector financing generally.

### Intervention

Most gilts are free of British capital gains and income tax for foreigners. On the tax-free bonds, interest may be paid gross, with government permission. However, the only bond on which interest automatically is paid gross is War Loan 3 1/2 percent, which was yielding 9.6 percent at mid-December. Stockbrokers Phillips and Drew advise overseas residents to check the tax picture with the Inspector of Foreign Dividends of the Inland Revenue before investing in any gilt except War Loan 3 1/2 percent.

Gilts account for a high proportion of the turnover in money terms on the London Stock Exchange. In November, for example, the turnover in gilts amounted to 2,176.6 million pounds, or 52.4 percent of the total.

When the government wants to float a new issue, it makes an offer to the public, generally amounting to several hundred million pounds of securities. Bids from the public normally are fully allotted. The unsold portion of the issue is taken up by the Bank of England. These securities later will be sold in several instalments

### Neither gilt nor discount market sources

expect many changes in their markets

because of Common Market entry... and

little chance is seen that London's unique

houses can be transplanted onto foreign soil.

("tapped" out) on the stock market by the government broker.

The job of government broker traditionally is held by a partner in the stockbroking firm of Mullens and Co., and tradition recently was reaffirmed when a Mullens man was named to the job, replacing another Mullens man. However, one important aspect of the job was altered late in 1971, with still-persisting repercussions in the market.

Since late 1971, when the Bank of England announced sweeping reforms of credit control policy, the broker has stopped moderating downings in gilt prices by buying. He now limits his buying to gilts with less than a year to run, the main object of these limited purchases being to retire maturing debt gradually.

The broker still acts as a seller, releasing "tap" securities on a rising market. These operations act as a drag on upward price movements.

The broker's virtual withdrawal as a buyer has made the gilt market a much riskier place to operate. In fact, three gilt jobbers (firms that wholesale government bonds) left the market after the new arrangements took effect.

### Non-Residents

Most gilts are bought through stockbrokers, although some small buyers place their orders through the post office. Bigger investors use the brokers because brokers execute orders faster than the post office and because they accept larger orders. They also help guide the non-professional investor through the complexities of the highly technical gilt market, which bristles with jargon like anomaly, view-switching, yield curves, volatility and zig-zag charts.

Non-residents of Britain who prefer indirect ownership of gilts through a managed fund devoted solely to government bonds don't have a big choice. Anchor Gilt-Edged Fund Ltd., a Jersey-based investment company that resembles a mutual fund, claims it is the only fund specializing in

gilts. Its main advertising points are that it offers professional management and spares investors the paperwork involved in getting tax exemptions from the government.

### Discount Market

Closely involved with the gilt market but having an existence outside of it is the discount market, the core of which is formed by 12 discount houses. These houses, specialists in short-term money, play an important part in public sector finance in Britain, by regulation as much as by choice. The houses are required to keep 80 percent of their funds in public sector debt, including gilts and local government authority bonds with not more than five years to maturity, and British Treasury bills.

Their role in Treasury bill financing is particularly vital. Each week the houses submit bids at the weekly Treasury bill tender sufficient to cover the entire tender. They thus act as underwriters of the tender for the government.

Outside the public sector, the houses deal in commercial trade bills and in sterling and dollar certificates of deposit.

Funds to fuel the houses' activities come largely from British banks, foreign bank branches in the U.K. and commercial companies, all of which place surplus short-term money with the houses to keep it from lying idle. The banks find the houses a particularly convenient roof for their excess cash because money placed at call with the houses ranks as a reserve asset for the banks.

### Tradition

The competition among houses for the banks' money gives rise to one of the city's quaintest traditions. Each morning, top-hatted, dark-suited representatives of the houses pay calls to major banks for a chat about hobbies, the weather and ultimately about call money. Critics who maintain this is an archaic and pre-telephonic

tradition are told there's no substitute for the personal contact established by the roundsmen.

Besides, the tradition isn't so outmoded as it may seem; some of the representatives are equipped with portable short-wave radios with which they keep in contact with the home office, according to P.J. Lee, a managing director of Union Discount Co., a house that uses this system.

### A Medium

In addition to providing an officially sanctioned repository for banks' idle funds, the discount houses also act as a medium through which the Bank of England influences short-term money rates. The system works this way:

Each day the houses must obtain enough short-term funds to balance income against outflow. The ease or difficulty of finding such funds varies with the liquidity of the banks. Days in the latter part of the week may be difficult, for example, because of normal pre-weekend cash withdrawals from the banks by customers.

When a shortage of funds develops, the Bank of England normally steps into the market, buying Treasury bills and other instruments from the houses and sometimes from the banks, and thus easing the tight conditions.

But if the Bank of England wants to put upward pressure on interest rates, it abstains from such open-market operations, forcing the houses to borrow from it at the so-called minimum lending rate. Because the minimum lending rate is always higher than market rates, loans to the houses at the higher rate (sometimes called a "penal" rate) tend to give rates generally an upward nudge.

### Signals

If the Bank of England wants to give rates an upward jolt, rather than a nudge, it probably will squeeze the market on a Thursday, forcing houses to borrow at the penal rate. This may well be a signal to the houses that the Bank desires a higher rate of discount at the weekly Treasury bill tender that is to take place the next day. If it is a message, the discount houses will be quick to pick it up and respond by pitching their bids lower and thus raising the bill rate.

The bill rate in turn determines the Bank of England's minimum lending rate. The minimum lending rate is calculated by adding 0.55 percentage point to the average bill rate at the latest Treasury bill tender and rounding up to the nearest 1/4 point.

By using this formula, the Bank of England insures that the minimum lending rate always exceeds market rates and thus retains its penal sting. Following a rise in the penal rate, the Bank of England is equipped, if it desires, to squeeze the market once again.

The first week of December provided an illustration of how this process works. On Thursday, Nov. 20, the Bank of England forced houses to borrow at the penal rate. The next day, the Treasury bill rate rose, lifting the minimum lending rate 1/4 point to 7 3/4 percent. The Thursday squeeze was repeated a week later, on Dec. 7. On Friday, the bill rate once again rose, bringing the minimum lending rate up to 8 percent. Early in the

next week, the London clearing banks responded to the pressure on short-term interest rates by raising their own base sterling lending rates to 7 1/2 percent from 7 percent. Thus the Bank of England accomplished its goal of forcing base rates higher in order to slow the growth of the money supply.

### Other Devices

This isn't the only way in which the Bank of England can influence short-term rates. For example, the Bank has the right to set the minimum lending rate independently of the Treasury bill rate. And it may call on banks to make special deposits to soak up excess liquidity, as it did

Nov. 15 and Dec. 21. But the discount houses are a very important means by which the Bank manipulates the cost of money.

Neither gilt nor discount market sources expect many changes in their markets because of Common Market entry. A gilt analyst says European banks probably will continue to increase their holdings of British government bonds as they have done for the last two years, but this isn't attributable to EEC entry.

A discount market source sees little chance that London's unique houses can be transplanted onto foreign soil. The big European banks are deeply entrenched and aren't likely to allow an invasion of specialists in short-term money in the near future, he says.

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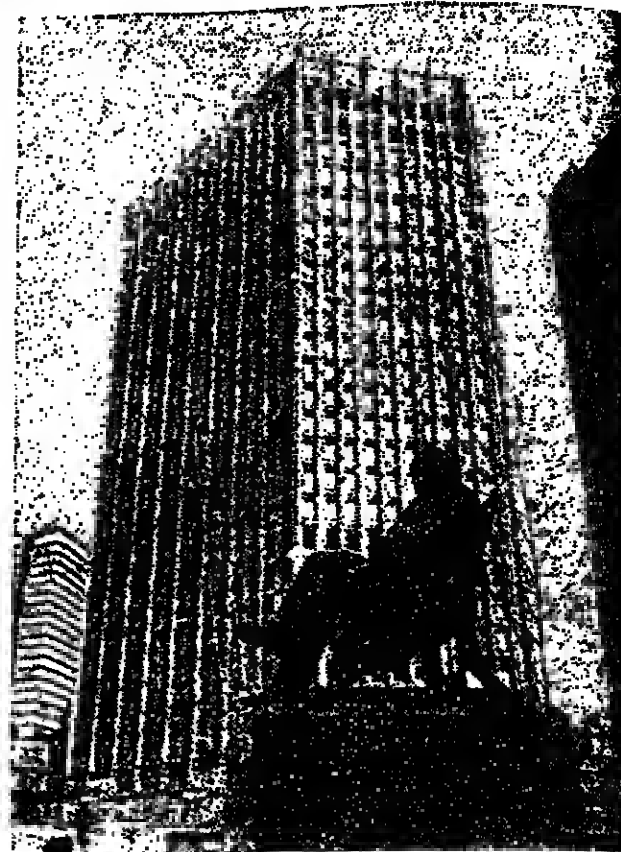
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## The Stock Exchange

*In the past, few companies in EEC countries have been prepared to meet the London Stock Exchange's disclosure requirements, the principal hurdle to a London listing...*

*As the EEC proceeds toward its announced goal of economic and monetary union by Dec. 31, 1980, London Stock Exchange officials see their market as the first among equals.*



The new London Stock Exchange building

LONDON.—"We must look forward to a time when Frenchmen or Dutch banks subscribe to Italian company shares issued in London."

So projects Sir Martin Wilkinson, chairman of the London Stock Exchange.

This sort of comment may appear ominous to some Europeans already apprehensive that their stock exchanges may be eventually eclipsed by the much larger London market, now that Britain has joined the European Economic Community.

London Stock Exchange officials, however, see their market as the first among equals as the EEC proceeds toward its announced goal of economic and monetary union by Dec. 31, 1980.

"We fully endorse," says Sir Martin, the concept of a market operating in several centers of comparable importance rather than a main market place with smaller satellites.

Rodolphe Dewaay, senior partner in the Belgian brokerage firm of Dewaay, Elliot, Sebillie, Van Campenhout and Co., sees in the Eurobond market a reassurance that one center will not dominate the EEC securities market.

In 10 years to acquire a London quotation. It was followed in late December by Crédit Commercial de France (CCF). And it is believed that CCF's move may foreshadow similar initiatives by some of its big corporate clients.

Some British companies, in turn, are having their shares listed on European exchanges. Notable among them recently was C.T. Bowring and Co. The diversified financial concern last month received simultaneous introduction for its shares on the Paris, Frankfurt, Amsterdam and Brussels bourses.

To maintain its competitive position, the London Stock Exchange has been urging the British government to abolish stamp duties on transfer of shares and the addition of value added tax (VAT) to the private investors' commission charge.

Of the EEC member countries, the exchange argues that only Britain and Ireland apply transfer duties, while only Britain is adding VAT to the investors' commission charge.

Among the challenges the London exchange will face in the coming year will be the introduction of ARIEL, acronym for Automated Real-Time Investments exchange Ltd.

ARIEL was established by the Accepting Houses Committee on which 17 leading British merchant banks are represented. Its function is to provide subscriber firms with a system for large-scale security transactions that is less costly than operating through the exchange. To meet the challenge, the Stock Exchange has reduced commissions on big transactions, but ARIEL says its charges are still attractive compared with those of the exchange.

### A Warning

Stock Exchange authorities have warned that introduction of trading systems such as ARIEL could result in a fragmentation of the securities market. And fragmentation, they say, might lead to difficulties in the policing of market activities and "be the back door which admitted a Securities and Exchange Commission."

Britain has no official agency equivalent to the SEC. The Stock Exchange is in no way controlled by the government in its internal operations, nor are its powers of regulating the requirements for listing in any way controlled by any outside body.

Recently, there has been a renewal of suggestions that Britain should have an agency like the SEC. The matter has come up because of recent allegations that insider trading is widespread. The Stock Exchange says it does not believe that insider trading is at all common and it remains opposed to the introduction of an SEC-type body.

The exchange also is anxious to forestall what it sees as moves in some quarters for a system of supranational controls over the developing European capital market.

Legislation at national or community level needs to be strictly limited, leaving the Stock Ex-

### Eurobond Centers

The Eurobond market, he says, is as much centered upon Brussels as it is on Luxembourg, London, Switzerland, Paris or the Netherlands, depending only upon where offices are located.

"It is clear from this," he says, "that the future European securities market, seen in the reasonably long term, will be distributed throughout the community."

London is by far the largest stock exchange in Europe. In the third quarter of 1972, the turnover in equities amounted to £2,280 billion in London compared with 1785 million in Paris, 1945 million in Amsterdam and 1124 million in Brussels.

And London's position will be further enhanced with the planned amalgamation March 25 of the stock exchanges in Britain and Ireland into the United Stock Exchange. Although the amalgamation plan provides clauses specifically protecting the provincial trading floors from forced closure, it is believed that after the union they may wither away for lack of support.

More than 9,000 securities are officially listed on the London Stock Exchange. Of these, more than 3,000 represent the equity capital of British companies, many of modest size. Nearly 400 overseas companies are officially listed in London, of which the largest group are South African mining and industrial companies.

### Disclosure Rules

In the past, few companies in EEC countries have been prepared to meet the London Stock Exchange's disclosure requirements, the principal hurdle to a London listing.

But lately, the attitude has changed. In late October, Ciments Lafarge S.A., of France, became the first French company

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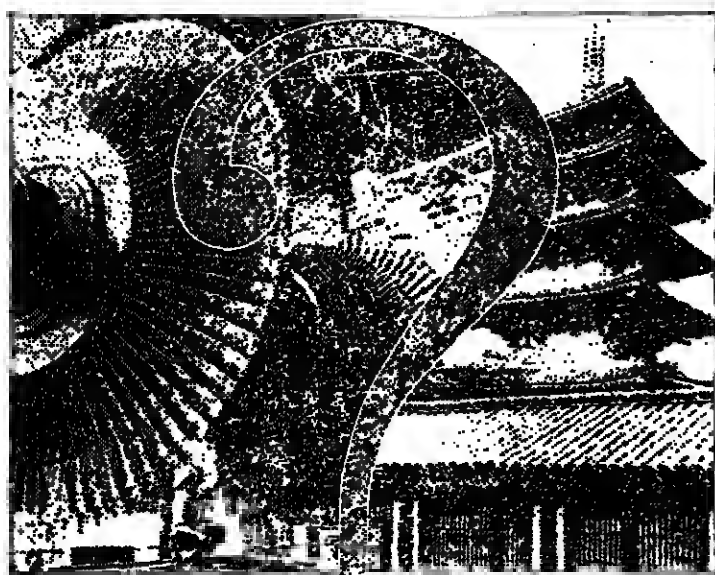
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# What do you know



## about JAPAN

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## Foreign Exchange

By Ray Mayer

LONDON.—London's foreign-exchange operators are sure they are going to remain the chief money brokers when Britain enters the Common Market. They just want to make sure everyone else knows it too.

So a flood of European visitors, corporate executives and money-market men, have been shown how the London foreign-exchange market operates, and why.

The City claims to be the largest foreign-exchange market to the world. No one has made any attempt to challenge that claim, either in theory or practice. With the expected rise to international trade following enlargement of the European Economic Community, London hopes to increase its role as a foreign-exchange market: more trade means more need for changing currencies to pay for goods, insurance, shipping, handling, storage.

But there is one nagging fear shared by all foreign-exchange operators that could curb the London market, perhaps sending customers to other centers: They fear that Britain's EEC partners will force adoption of stricter controls on currency flows.

It is not an idle fear. The purpose of the EEC is to harmonize the European economy. Daniel P. Davison, general manager of Morgan Guaranty Trust Co.'s London branch, notes that "The whole spirit of the Treaty of Rome is to standardize practices in order to become a larger market."

### EEC 'Shackles'

The market thinking is that standardization will be toward the continental predilection for slapping on what are often termed "unreasonable shackles" on currency flows.

London is particularly vulnerable when the topic of currency flows arises. Mr. Davison notes that the London market "has been the base from which speculative attacks on very weak or very strong currencies are made—not Zurich," as is often charged. Once Britain enters, Mr. Davison feels, the attitude among the other eight members may well be: "We can't permit this to happen from one of our own members," and the call for controls will be on.

Some measure of control will be exerted on the market through operation of the EEC's "snake-in-the-tunnel" scheme. The six original members have agreed to keep their five currencies (Luxembourg uses Belgian franc) within a "snake" of 2.25 percent of central rates recognized by the International Monetary Fund. This is half the

fluctuation the IMF allows within the "tunnel" of 4.5 percent for all other currencies.

Ireland is not in the snake agreement yet, though Denmark is. Britain had put the pound sterling within the snake at the beginning of last May, but almost immediately the pound came under pressure. Later, the Bank of England noted glumly that the pound's difficulty prompted the "first occasion on which central bank intervention had been necessary to keep the currencies concerned within the limits of the Community band of 2.25 percent ("the snake").

Within seven weeks, the British authorities saw that keeping the pound at its relatively new parity near \$2.60 was futile and floated sterling on June 23.

### Fixing Parity

It was thought at the time that Britain would quickly return the pound to a new lower parity. A likely rate was thought to be near \$2.40, when it had been from the 1967 devaluation by the Labor government up to December, 1971, when the new Smithsonian rates were set following the dollar float and devaluation.

But over six months the outlook changed and finally, on Dec. 15, the Chancellor of the Exchequer, Anthony Barber, said that the pound would not be repegged before entry to the Common Market.

Current thinking is that the earliest sterling will be repegged is around April 1, when the EEC's fiscal year starts and agricultural prices are set. And, this view holds, the rate probably will be around its current level of \$2.30-\$2.35.

In any event, no one seems in much of a hurry for the pound to get a new rate.

Peter Day, foreign-exchange manager of Barclays Bank International Ltd., says, "I'd like to see it float until we get it right. I'd hate to see us go back into the tunnel at an artificial rate."

Reginald Barham, vice-president of Morgan Guaranty and head of its foreign-exchange operation, notes that since the floats of the deutsche mark and the Canadian and U.S. dollar, "there's nothing wrong in a float. It's silly to go to a national rate" too soon. He adds that at the moment a rate of \$2.35 seems "acceptable to the EEC" as one that will not give Britain too much of an advantage in exports, while still allowing enough upward movement, within the snake, to be realistic.

When the right time will be, even EEC sources agree. It must wait for better indica-

### The whole spirit of the Treaty of Rome

is to standardize practices in order to become a larger market. The thinking in the London market is that standardization will be toward the Continental predilection for slapping on what are often termed 'unreasonable shackles' on currency flows and London is particularly vulnerable when the topic of currency flows arises...

tions of Britain's economic strength and its export-import performance at the new floating rate. Though recent trade figures have not been encouraging, economists point out that it took about 15 months for Britain to benefit from the 1967 devaluation and just a few months less for the United States to show gains from last year's devaluation.

### Inflation Control

Much store is put on how Britain manages to control inflation following the 90- to 150-day freeze on wages and prices that began Nov. 6. Though money-market men agree on the need for an almost "total" continuation of freeze conditions, the political realities facing the Heath government make some easing almost inevitable, they concede.

But the foreign-exchange market seems convinced that sterling's rate is stable. In the forward market, where corporations (and speculators) protect themselves against expected currency changes, the pound's somewhat lower rate (about \$2.30 for delivery in six months) merely reflects technical interest-rate differentials.

Adas Roy P. Brindzen, deputy foreign-exchange manager at Barings International, "People haven't been buying sterling short in forwards. The float has taken the steam out of speculation."

Trading in the six months of sterling's float has been calm, at least partly because of occasional Bank of England intervention to keep the pound from falling too fast. The float "as kept speculators off balance, as the Bank is not required to maintain the pound at any given rate, relatively 'clean' float has been welcomed by dealers, who favor letting the market set the rate.

The extent to which such "discretionary" bank operations would be possible within the snake

scheme is obviously quite limited, though the EEC has been notably flexible so far. For instance, Italy has been exempted from repaying other central banks' lire support purchases with the "required" amount of gold until Jan. 1. After that, it was recently agreed at Basel, all EEC countries will have until 1975 to repay currency support purchases with gold. This is to allow time for restructuring of the international monetary system, which is to its initial stages.

### EEC Summit Talks

Another question overhanging the market was discussed at the European summit of the enlarged EEC in October. The heads of government unexpectedly agreed to begin operations of the European Cooperation Fund by April 1.

Run by the committee of the EEC central bankers, the fund initially will organize support with the snake. But the Bank of England, in its latest quarterly bulletin, confides that "the fund may develop in time into the nucleus of a community central bank." As with most of the EEC's monetary union plans, the outlook for an EEC central bank is long into the future, with an initial target date of 1980.

Until then, it is expected that business will be pretty much as usual. The foreign-exchange market will continue to operate as it has since the advent of the telephone. One of the difficulties in controlling the foreign-exchange market is that it does not have a central meeting place like the Stock Exchange. All business is done by telephone, telex or cable. Millions of dollars, pounds, francs, marks and yen change hands over the wires.

Of course, the actual currency does not move physically anymore. Trading now is by telegraphic deposit transfer. Up until the late 19th century, though, there were physical money mar-

kets, but with the invention of the telephone, markets quickly came to resemble present-day operations.

### Daily 'Fixings'

Some European centers, like Frankfurt, still retain daily "fixings" but these last a very short time, usually less than an hour, and are only for carefully defined and controlled transactions.

Except for times of crisis, it is now possible to get instantaneous quotations for the world's major currencies from delivery in two days (spot transactions) up to some time in the future (forward dealings). And the place to get the widest range of "good" quotes is London. There's general agreement as to why this is so: expertise and breadth, which have grown out of long experience.

Since the Napoleonic wars, when London attracted most of the foreign-exchange business away from Amsterdam, the City has kept its top place in money dealings, with only minor lapses.

In handling currency, fast dealing is most important. When a broker quotes a rate, it must be accepted immediately or he has the right to change it. Disagreements over millions of dollars of transactions occur infrequently. If a broker feels he has been "taken" by another broker or banker, it may take years to regain his confidence. But the infrequency of such occurrences is reflection of London's stability.

London has other advantages, too, that have helped it gain its place as the world's chief foreign-exchange dealer. Its geographical location puts it close to the European time zone and it overlaps the business day in both the Far East and America. In fact, with increasing American interest in international monetary developments, many banks now have foreign-exchange dealers at work to New York at 5 a.m., virtually the start of London's business day.

Over 200 foreign and British banks based in London operate on the foreign-exchange market. Much of the activity is done through the dozen or so brokerage firms, which are paid off a set-fee scale. Their job is to arrange trades, usually between banks, anonymously, so that neither bank knows exactly where the money is coming from.

### Party Lines

The brokers have direct lines linking them with the banks for immediate connections. Until technological advances come along

to help their work, foreign-exchange operators must be satisfied with tinkering with the telephone system: setting up party-line hookups, opening 24-hour telex lines and cajoling governments to update Europe's overloaded communications network.

London has maintained its premier place in currency dealings by changing its mode of operation when necessary, and that has been fairly often. Whenever a "government change" its rules governing changes exchange trading, the market must adjust quickly. The market that starts trading with reliable rates the fastest will get the most business.

One reason London can adjust so fast is because the government and the Bank of England have always taken a benevolent view of the foreign-exchange market and kept it relatively (though not completely) free of those "unreasonable shackles."

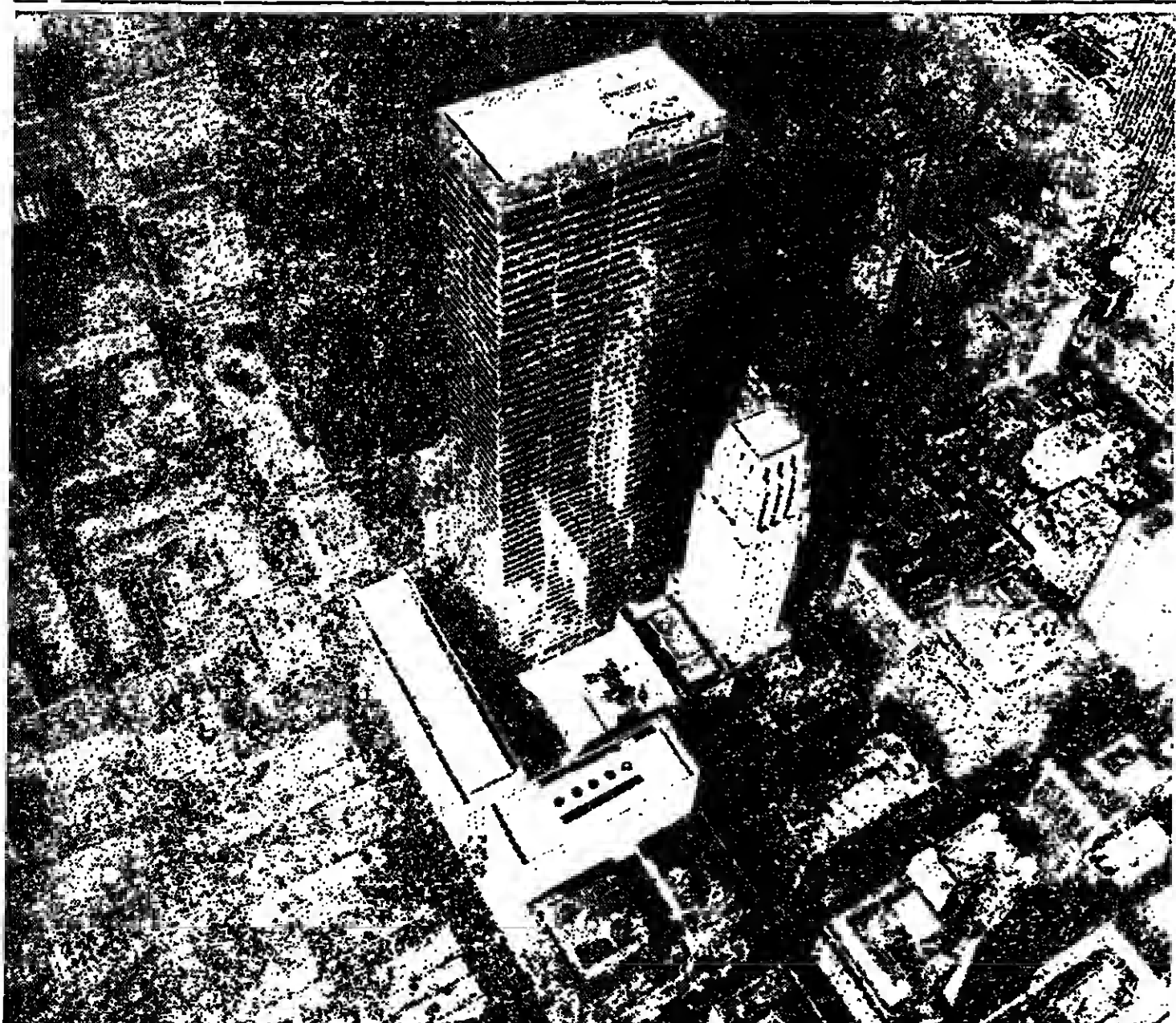
This has been true despite the over-diminishing role of sterling as a reserve currency. Barclay's Mr. Day recalls that "as sterling has been phased out over the past 20 years, London has shown expertise in dealing in other currencies."

He cites London "speed" in developing new ideas and points to the continuing development of the Eurodollar market. He looks for growing use of Euro-commercial paper, and the increasing borrowing requirements of developing countries, including the Communist nations.

This is not to say that other centers will not also benefit from the enlargement of the EEC and a general increase in offshore borrowing requirements. London bankers note the growth of Nassau as a center from which U.S. banks can deal in offshore funds; Singapore, which is making a concerted bid to become Asia's financial center; Tokyo, which they say will be forced to become a foreign-exchange center, if only because of its vast monetary reserves; and within the EEC, Frankfurt, where West Germany has centralized its financial functions.

Confidence in the London market's future is reflected in recent interest shown by West German and Italian regional banks to open branches in London. Their inquiries apparently have been warmly received by the Bank of England.

Naturally, London is convinced of its place: "The borrowers are here and the contacts are here," one manager says. And in a market where most transactions are agreed verbally, "an Englishman's word is his bond" remains a strong drawing card.



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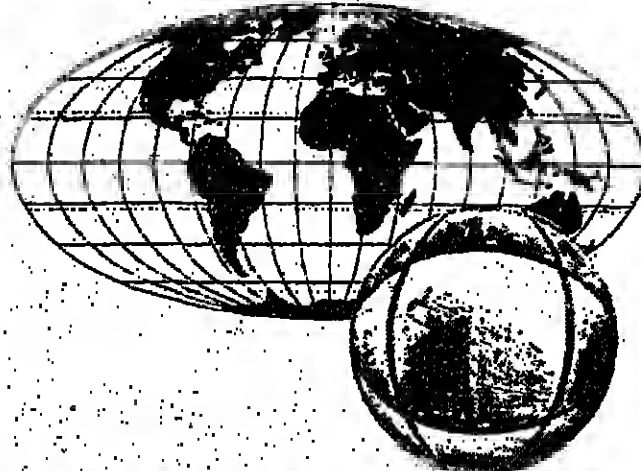
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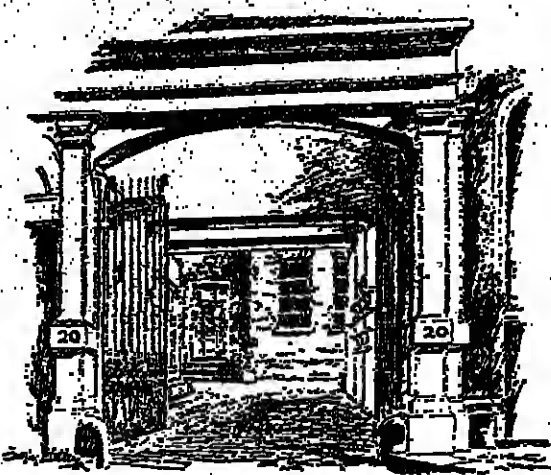
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## Insurance

LONDON.—Wild enthusiasm is not the British insurance industry's first reaction to the prospect of the wider horizons of Europe. Indeed, its feelings about life in the European Economic Community tend to range from mild interest, through resignation, to downright trepidation.

The reasons for the industry's cool attitude are not hard to find. In almost any respect you care to mention, the British industry differs markedly from that in the larger EEC countries. The Common Market has been working toward a common insurance policy almost since it began. British insurers fear that easier entry into European markets will be a small reward for accepting a framework of insurance regulations tailored to the needs of the very different insurance industries of France, Italy, or worse still, West Germany.

Before looking at how the Common Market's insurance policy has developed so far and what it is likely to become, it is worth noting just how different British insurance is from its counterparts in the larger countries of the Six. It has first of all, an extremely complex structure. Underwriting is carried out by two main kinds of institution, Lloyd's and the 270 or so British insurance companies. But the market also comprises over a hundred foreign companies, and a good number of oddities: about 100 specialist mutual associations, mainly in the marine market, providing companies with cover not usually offered by ordinary insurance policies; some 70 collecting societies, carrying out a fair volume of life insurance; and nearly 800 friendly societies, providing sickness, unemployment and similar benefits for their members.

Lloyd's itself, ancient and eccentric though it might appear to an outsider, generates a premium income over a third the size of the nonlife premium income of the companies. Its capital is the wealth of its 6,000 or so members, each of whom is liable, in theory at least, to his last shilling for any losses made by the syndicate of professional underwriters he backs.

### British Giants

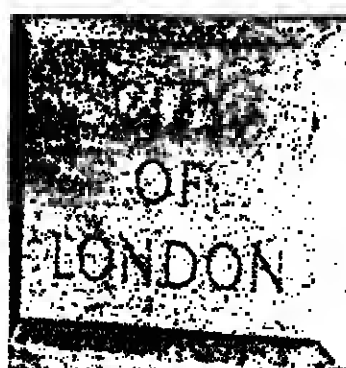
The largest British companies are composites, transacting everything from life insurance to marine business, and led by giants like the Royal, the Commercial and the Prudential. Mergers have increasingly helped to concentrate business in the hands of a few of these giants: the six largest account for nearly two-thirds of all British insurers' world-wide fire and accident premiums. Of the many specialist insurers, the most important group are the independent life funds, most of which are mutuals, owned by their policyholders rather than by shareholders.

Many of the bigger companies sell some of their insurance, and particularly personal insurance, directly to the public. Lloyd's, by contrast, sells only through a special group of Lloyd's brokers. Otherwise, insurance is marketed through some 5,000 to 6,000 full-time brokers, and through an unknown number of part-time agents, such as bank managers and building societies, who act for a particular company.

The British insurance industry is highly international. The net earnings from insurance of each member of the EEC Six were, in 1970, in deficit, a deficit which in West Germany totaled nearly \$90 million. The British insurance industry, on the other hand, generates roughly half the City of London's net invisible earnings.

About two-thirds of all nonlife premium income is earned abroad—more if one looks just at Lloyd's and the large companies—and nearly a third in the United States alone. Life insurance is less internationally oriented, but typically, over a tenth of premium income is earned overseas. In 1971, Britain's net foreign earnings from insurance totaled \$331 million, excluding portfolio income, and \$381 million, if portfolio income is included.

There are other substantial differences. Life insurance in Britain, thanks largely to income tax relief on premiums, has been massively successful as a savings medium and now



represents the country's largest single form of contractual savings. Investment of insurers' funds, tightly controlled in several of the Six, is virtually unregulated in Britain. Entry into the British market for a foreign insurer is, by and large, far easier than entry into the markets of most countries of the original EEC.

### Protected Market

Compared with British insurers, the industry in most countries of the Six is kept under a much firmer thumb by the government. European insurers, broadly speaking, enjoy less freedom of action than their British counterparts—but their home market is more protected. This, of course, is not equally true for all the countries of the Six. It is far less true, for example, in the Netherlands than in West Germany. But it remains the case that in the largest members of the original EEC, relatively restrictive legislation applies to both foreign and national insurers.

When one adds up what the Common Market has achieved so far in the insurance field, it comes to very little—and certainly not enough to frighten the British. Back in 1964 a common market in reinsurance was instituted—though it was 1969 before the French complied. And on the first signs of the Common Market that British motorists have noticed has been the extension of their policies to cover them in all other Community countries by the start of 1974.

What worries British insurers more is the prospect of two other directives, one on nonlife, and the second, more distant, on life. Both deal with freedom of establishment—the conditions under which an insurance company of one member country can set up a branch or a subsidiary to sell its policies in another. Both will effectively set out the ground rules for insurance companies in the Community. And both have so far been drawn up almost entirely with the European insurance industry in mind.

British insurers are worried that the nonlife directive will inflict on them the system of matching liabilities undertaken in one member state with assets held in the same country, under which insurance companies in most of the Six operate. They are afraid of an increase in minimum solvency margins—and since the collapse of the motor insurer, Vehicle and General, they have not been in a strong position for arguing against it.

Lloyd's is going to need special treatment: the law in West Germany appears to prevent Lloyd's from operating directly through an agent; and the rules will certainly have to be adapted to take account of Lloyd's peculiar capital structure. Finally, some of the rarities in the British insurance world look like suffering. The ship-owners' mutuals, for example, are not required by British law to hold technical reserves or to have a solvency margin; under the new Community rules, they will almost certainly need both.

### Separate Companies

The directive on life insurance is further off, but it still worries British insurers. It looks like following the tradition in France and West Germany of totally separating life and nonlife companies. If it did so, the big British composites could find themselves in an awkward position. It looks, too, like adopting the method of calculating reserves used by the big life funds in all the Six except the Netherlands, a method which British authorities do not feel adequately protects the policyholder.

Still further along the pipeline are two directives on brokers, that look like requiring a sys-

tem of registration and insisting that brokers should have some professional qualifications. Neither provision exists in British insurance law.

But the British insurers' attitude to the prospect of all these new rules is not one of unrelieved gloom. Some of the provisions that may emerge from negotiations on the directives—higher solvency margins, more separation of life and nonlife business and some kind of registration for brokers—are in line with what some of the more critical voices in the industry are already advocating.

Besides, the regulations should make the Common Market more accessible. Up to now some British insurers who have tried to break into European markets have met with considerable difficulties. Last summer, when the British company Equity and Law put in a \$8 million take-over bid for the composite Union des Propriétaires Belges, it was blocked by the Belgian govern-

ment. European business is still a small part of British companies' operations abroad. Thus the Commercial Union, one of the largest British composites, reported in 1970 that 8 percent of its premium income from nonlife business was generated in Europe, against 40 percent in the United States.

For Lloyd's, whose structure prevents it from buying a subsidiary overseas, easier access to Europe would be particularly important. It should, for example, be able to set up an agent to underwrite business for it in West Germany: up to now, any German who wanted to place a risk at Lloyd's had to deal with London. And the market is seen as particularly undersold by the British life funds. The amount spent on life assurance per head in France and West Germany is not much more than half that spent in Britain, while even in the Netherlands, the most sophisticated insurance market in the Six, it is 30 percent below the British average.

The insurers know that insofar as the Common Market results in larger firms, more trade and richer people, it means more insurance business for whoever is around to take it on. They know, too, that with the developing countries increasingly wanting to undertake their own insurance, the most rapidly expanding international market is now on may well be Europe.

But British insurers would like most freedom to sell a British policy directly to a client in any country of the Nine, is still a long way off. "Frankly," they say, with just a touch of sadness, "we're too good for them to want to make it that easy for us."

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## Some Musts in London For German Businessmen

BONN (Reuters).—Britain's businessmen are not very good at foreign languages and like their visitors from abroad to stay at "correct" hotels, according to the West German Chamber of Trade and Industry.

The chamber's London office has prepared a list of 12 tips, telling West German businessmen how to deal with their English counterparts when Britain enters the European Economic Community Jan. 1.

The list says: "In England, it is still very important to stay at the 'correct' hotel."

Another tip reads: "Don't overestimate the Englishman's knowledge of languages. At important meetings, the presence of a good translator can be very useful."

The chamber also says that English businessmen do not like long-winded discussions. "With quick repartee, and brevity bring sympathy."

Above all, the list says, Englishmen expect clarity. "West German traders have a very good image," it says.



## Commodities

By James Castle

LONDON.—The city's dominant position on the European financial scene is matched by its pre-eminence in commodity futures trading.

The futures market is by far the largest in Europe, and its influence is worldwide. The prices struck on the noisy dealing rings of the London Metal Exchange (LME) off Leadenhall Street and the London Commodity Exchange on Mining Lane serve as guides

to producers and buyers throughout the world in setting their own quotations.

Futures (or terminal) markets exist in around 15 commodities (versus more than 40 in the U.S.), with the most active dealings taking place in sugar, cocoa, copper, tin, zinc, coffee, lead, silver, rubber and wool. Trading in other commodities like coconut oil, vegetable oil, grains and cotton either is inactive or fairly limited.

Suggestions have been made

for additional futures markets in petrochemicals and gold.

Trading on the London market will be nothing new to concerns located in the six original European Economic Community (EEC) countries: they already conduct much business on the market. The reasons for their participation in London aren't hard to find.

An LME spokesman says no metals futures trading center exists on the continent, meaning that European interests are active

here. In particular, he says, "The Germans and Dutch make extensive and sophisticated use of the LME."

Most continental interests trade on the LME through the 28 "ring-dealing" members of the exchange—that is, those members privileged to sit on the ring-shaped bench that surrounds the trading pit and take part in open-outcry dealings.

### 'Soft' Variety

But Metallgesellschaft A.G. of West Germany, and Pannaroya S.A. of France, both have ring-dealing status through British-registered subsidiaries. Only U.K.-registered units may join the LME as ring-dealing members.

Other participants come from many parts of the world. They include such Communist nations as Bulgaria, Romania, North Korea and Russia, which furnish lead, zinc and copper to the market.

London's futures markets for the "soft" commodities have some counterparts on the continent. Facilities for futures trading exist in France for sugar, cocoa, coffee and wool tops, and in Holland for cocoa and potatoes. Nevertheless, the market in London is much larger and thus more flexible.

Worldwide trade interests such as producers, consumers and dealers use the London futures markets mainly for hedging, or insuring themselves against losses caused by fluctuating commodity prices. Speculators, on the other hand, are in the market for a chance to make a profit. Together, the two groups fulfill each other's need.

### Complex Forms

The hedge can take many complex forms, all of which are classifiable either as "short" or "long" hedges. A couple of examples—first of a short hedge, then of a long hedge—can make the basic outlines clear. A German dealer may buy 1,000 tons of cocoa from a producer at about 300 pounds a ton, for a total of 300,000. This cocoa may be likely to sit in the dealer's warehouse for three months before it can be sold, during which time a drop in cocoa prices could seriously devalue the dealer's inventory.

Therefore, the dealer hedges by selling 1,000 tons of cocoa at about 300 pounds a ton on the futures market for delivery in

three months. If the price drops to 250 pounds a ton in three months, the dealer completes two transactions which together leave him with neither profit nor loss resulting from the price change. First, he sells his cocoa to a consumer at 250,000 pounds, losing about 50,000 pounds on that transaction.

The sale to the customer is known as a "physical" transaction because actual cocoa has changed hands.

### Liquidation

The dealer's second move is to liquidate his futures contract. In doing so, he makes a profit of 50,000 pounds on the futures market to set against his identical loss on the physical market.

If the price of cocoa had risen instead of falling, the dealer would have made a profit of 50,000 pounds on the physical market but would have lost it on the futures market, winding up "all square" as before.

The cocoa dealer's arrangement was known as a "short" hedge because it involved an original sale of a commodity.

A long hedge, on the other hand, involves a purchase on the futures market. A chocolate manufacturer may know he will need to buy 1,000 tons of cocoa three months hence. He budgets for the purchase at the current price of, say, 300 pounds a ton. To ensure that this is in effect the price he ultimately will pay, he buys a futures contract for 1,000 tons of cocoa at 300 pounds a ton.

### Mixed Markets

If the price should rise to 350 pounds in three months, he will pay his total of 1,000 tons to 350,000 pounds on the physical market, exceeding his budget estimate by 50,000 pounds. However, he then makes another transaction that cancels the over-

run; he liquidates his futures contract at a profit of 50,000 pounds.

In both examples, it will be noted, the dealer and the consumer were acting in two distinct markets, the physical market and the futures, or "paper" market.

It is possible for an operator to mix these markets by taking or making delivery on a futures contract. However, the normal pattern is for futures contracts to be liquidated prior to any delivery. This is done by making an equal and opposite paper transaction.

Trade groups are able to insure themselves against the risk of loss on price changes because speculators are willing to gamble on profiting by such fluctuations. When a trade group makes a futures contract to sell, it is usually a speculator who buys. The trade group is selling at today's price to insure against a possible future fall in price, while the speculator is buying because he thinks prices will rise and he will be able to liquidate the contract at a profit.

### Margin

On the other hand, when a trade group makes a futures contract to buy, the seller is usually a speculator who expects the price to drop, allowing him to liquidate the contract at a profit.

The lures and dangers of speculation on the London market are great. The average margin requirement for a contract is about 10 percent. That means that a speculator can buy a 1,500-pound contract for a deposit of 150 pounds. If the contract rises 20 percent to 1,800 pounds, the speculator makes a profit of 300 pounds, or 200 percent. This powerful lever can work in reverse, of course.

For those contemplating speculation on the London market, G.W. Johnson and Co., a com-

modities firm, advises that you must be prepared to risk a minimum of 1,500 pounds.

In fact, many speculators are considerably better heeled than that. Among consistent London speculators are the merchant banks, one source said. These banks frequently buy metal on the physical market and simultaneously sell it on the three-month futures market, where the price normally is slightly higher. The premium of futures metal over spot metal represents what it costs on average in interest and storage charges to hold the metal for three months.

### Financing

However, the merchant banks have access to cheap money and can finance the holding for less-than-average cost. Therefore, they can profit from such deals. Whether this is speculation or a sure thing is uncertain. At any rate, it isn't feasible for the average investor who can't get cheap money.

The men who run the markets in London look at Common Market entry as a chance to increase London's already large business with the continent.

A spokesman for the London Produce Clearing House, Ltd., which clears most contracts on the London Commodity Exchange, is now providing a London-Paris clearing service for Clearing House members who deal in both cities. The service is provided under an agreement with Caisse de Liquidation des Affaires en Marchandise à Paris, the Parisian clearing organization.

### Offsetting

London Produce Clearing House plans to begin offsetting marginally in 1973. This will mean that if a trader has a margin surplus in London

but faces a margin call in Paris, he can match one against the other, an obvious convenience to those who operate in both areas.

The spokesman said an enlarged EEC may make it possible for European soft commodities markets to diversify from the mainly tropical produce in which they deal at present into products of the Community itself—for example eggs. He notes that the Chicago commodities market, the world's largest, is based primarily on domestic produce. "They can do it in Chicago. Why can't we here?" he asked. He noted that such a diversification depends on how much control is imposed on agricultural produce by the EEC.

### Attitude

The spokesman said that the clearing house's attitude toward the Common Market generally is "It's no good sitting back in London and saying the London markets are bigger and are therefore better than the ones in Europe. This is why we're establishing links with the markets in Europe. So that we can get to know them better and they get to know us and we can work together."

The LME spokesman said Common Market membership provides a chance to build up business. The exchange would like to see more participation by European producers. The LME will consider wider membership. It may increase the number of its warehouses on the continent. (At present, warehouses are located in Rotterdam, Hamburg and Antwerp.)

### Change?

But the LME wants to make sure it stays an international market, accessible to all nations and not just to Europe. Recently, exchange officials have been wrestling with the problem of how to handle the 4.5 ad valorem Common Market import duty that will have to be placed on lead and zinc entering the U.K. starting Jan. 1. Prior to entry, these metals weren't subject to British duty. The new duty posed difficulties in maintaining the highly prized internationality of LME prices, the spokesman said. Nevertheless, he was confident that the problem could be solved and that LME zinc and lead prices would remain as meaningful in, say, Japan as in Brussels. Asked if a competitive exchange might spring up on the continent, the official said, "It's always possible. We have to consider this and so run our business that it won't be worth anyone else's while trying."

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## Bullion

by William Davis

a margin of safety. The French have been the most fussy about gold reserves in recent years, but the pressure to hold gold in bullion is not new. It has been a constant in the past.

The non-Communist world's gold is shipped to London for marketing. South Africa produces more than 70 per cent of the world's gold and by law the gold must be sold to the Reserve Bank for the Treasury. The Bank of England is a well-established institution.

Attitude. The Bank of England is a well-established institution.

House's attitude. The Bank of England is a well-established institution.

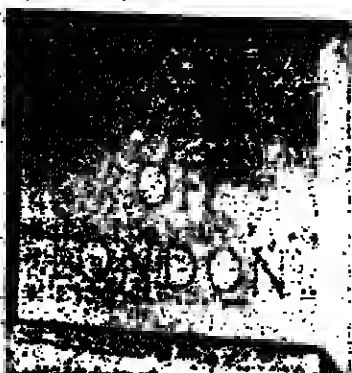
price of gold is fixed daily at 377.5. Dealers are invited to sell gold to the Bank of England's representative to the Union Jack. If he wants to buy gold, he must have a license.

Pricing. The price of gold is fixed daily at 377.5.

change. The price of gold is fixed daily at 377.5.

virtues. The price of gold is fixed daily at 377.5.

virtues. The price of gold is fixed daily at 377.5.



There has certainly been a good deal of entirely justified argument in recent years

over the role of gold in international monetary affairs... Nevertheless, London bullion dealers

certainly do not expect to be thrown out of work during this century.

that London will lose its pre-eminent position as a result of Britain's entry into the Common Market. But there is a sizable question mark over the future of gold itself.

Henry Ford called gold "the most useless thing in the world." That isn't really true—not, at least, while so many people still set store by it. But there is, today, widespread agreement that gold is a waste of resources.

Here is a soft, industrially unimportant metal that costs money to keep (it earns no interest, and it has to be guarded) and which has no intrinsic value. A gold bar doesn't even look pretty. You can wind a strip of gold around your loved one's finger, but a sparkling diamond will do at least as well.

price of gold is fixed daily at 377.5. Dealers are invited to sell gold to the Bank of England's representative to the Union Jack. If he wants to buy gold, he must have a license.

### Virtues

No one would deny, of course, that in the hands of a skilled jeweller gold can be turned into a thing of beauty and "forever." And gold does have one other great virtue: its indestructibility.

But there has certainly been a good deal of, in my view, entirely justified argument in recent years over its role in international monetary affairs.

Croesus, king of Lydia, is credited with the introduction of gold coins and no doubt it seemed a good idea at the time. Gold certainly is more appealing than

iron bars, cowrie shells and porcupine teeth—all of which have been used as money at some point of time. But is it the right symbol for the space age?

William Jennings Bryan, who sought the Presidency of the United States in 1896, urged his fellow countrymen "not to crucify mankind on a cross of gold." And G. K. Chesterton thought that "the golden age only comes to men when they have, if only for a moment, forgotten gold." Both comments were based, chiefly, on the appalling slaughter and misery which gold has caused over the centuries.

### The Dollar

In this century, Winston Churchill's ill-advised decision to let Britain's money to gold bullion had much to do with the depression, which developed in the thirties. The "discipline" of gold, so warmly praised by the late Gen. de Gaulle (who didn't really know a very great deal about it), produced falling trade, a sharp decline in industrial production and massive unemployment. The experiment collapsed in 1931—and not before time.

More recently, the Western world's monetary system has been based on the so-called gold exchange standard, America, which has vast hoards of gold, agreed to buy and sell the stuff for dollars at a price fixed in 1934. This gave the dollar a direct link to gold and made it every bit as acceptable. Other Western currencies, including sterling, were pegged in terms of the dollar.

The system was virtually torpedoed, however, when Washington announced in the late sixties that it was no longer willing to make the dollar fully convertible.

The move was inspired by a series of "gold rushes"—wholesale attempts to get out of dollars and into gold—and many experts will tell you that a United

States was being selfish. They would have preferred to see Washington raise the official price; this, they say, would have stopped the outflow, boosted gold production and led to substantial "disinflation."

America based its refusal to pursue this line on two main arguments. The first is that an increase in the price of gold would enhance its status and put money into the pockets of the two main producers—Russia and South Africa. (There was also, I think, some resistance to the idea of handing a "victory" to De Gaulle, the most vocal advocate of the gold lobby.) The second, and much more important, argument was that gold is no longer the best means of financing a rapidly expanding volume of world trade. Even with a price increase, there simply would not be enough to go around.

### SDRs

Instead, Washington supported a plan to create so-called "paper gold." Actually, it is neither gold nor paper, but very simply an automatic credit line which can be used between different countries. It serves as extra reserves in times of balance of payments difficulties.

The SDR scheme, as it is known officially, has worked reasonably well and there are many people who think the Western world should abandon gold altogether. But this is easier said than done. Gold still retains considerable mystique. It is still the one universally accepted medium of exchange. Given the opportunity, people who distrust paper currencies (partly because of rapid inflation) will be more than willing to settle in gold. Every time the newspapers mention that overworked word "crisis," thousands of people, on

the Continent and elsewhere, rush out to buy gold. It is an emotional rather than logical reaction, but it is a factor no one can ignore.

The strongest support for a continuing monetary role for gold has, up to now, come from the European bloc and, under French influence, this will almost certainly remain the case in 1973. Britain does not share the French passion for gold, but accepts that, for the time being at least, the yellow metal still has an important role to play. I don't see any prospect of a full-scale "demonetization" in the near future. But the whole international monetary system is in the process of reconstruction and it would be rash to make any firm predictions about the final outcome.

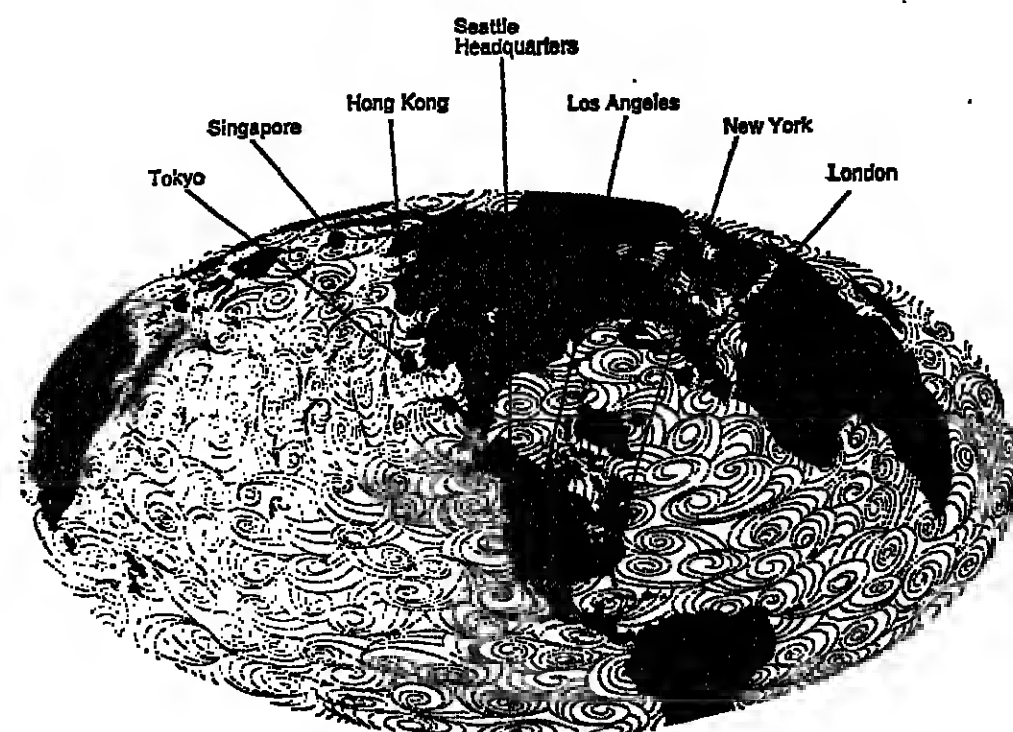
### EEC Policy

The European Economic Community itself is committed to working toward monetary union by 1980. If it comes off (having observed these kind of exercises for a good many years, I am inclined to treat timetables with considerable skepticism), the present order will undergo some pretty startling changes. To make the plan work, EEC member would gradually have to give up much of their autonomy. It would clearly be difficult to make a Euro-currency work while they continue to have very different price, cost and wage structures and rates of inflation. The EEC countries would have to drop exchange controls, introduce a unified balance of payments, set up a new Reserve Bank structure and closely cooperate in areas like taxation, credit control, company law and annual budgets. Eventually, this would lead to a common currency.

Keynes called gold a "barbarous relic" and I for one see no reason to disagree. One would like to think that, 10 or 20 years from now, its power will be broken. We shall still be attracted by its aesthetic appeal, and with production long past its peak (there are no new gold mines being developed anywhere in the Western world), people will continue to hoard in gold purely as a commodity. London bullion dealers, certainly, do not expect to be thrown out of work during this century. But even its most fervent advocates would probably agree that man's slavery to the yellow metal is over.

Mr. Davis, former financial editor of The Guardian and author of several books, is editor of Punch.

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